



# Concise Financial Report 2015



**Transforming Lives**

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The Concise Financial Statements 2015 are an extract from the full financial statements of Avita Medical Limited and has been derived from Avita Medical Limited's 2015 Annual Report. The financial statements included in the Concise Report cannot be expected to provide as full an understanding of Avita Medical Limited's financial performance, financial position and operating and financing activities as that provided by the 2015 Annual Report.

**2015 Concise Report**

A copy of Avita Medical Limited's 2015 Annual Report, together with the Independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The financial statements can be requested by letter to the registered office or email at [investor@avitamedical.com](mailto:investor@avitamedical.com).



# Corporate Information

## Corporate Information

**ABN 28 058 466 523**

The Concise Financial Report covers the consolidated entity comprising Avita Medical Limited and its subsidiaries. The Group's presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 7.

## Directors

Mr Lou Panaccio (Chairman)  
 Mr Ian Macpherson (Deputy Chairman)  
 Prof Fiona Wood (Non-Executive Director)  
 Mr Jeremy Curnock Cook (Non-Executive Director)  
 Mr Matthew McNamara (Non-Executive Director)  
 Dr Michael Perry (Non-Executive Director)

## Company Secretary

Mr Gabriel Chiappini

## Registered Office

Level 9, The Quadrant  
 1 William Street  
 Perth, Western Australia, 6000  
 Email: [investor@avitamedical.com](mailto:investor@avitamedical.com)

## Principal place of business

Unit B1, Beech House  
 Melbourn Science Park  
 Cambridge Road  
 Royston, HERTS, SG8 6HB  
 United Kingdom

## Share Register

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

## Solicitors

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

## Auditor

Grant Thornton Audit Pty Ltd  
 Level 1, 10 Kings Park Road  
 Perth, Western Australia, 6000.

## Principal Bankers

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

## Stock Exchange

Avita Medical Limited  
 Listed on the Australian Stock Exchange Limited (ASX: Code: AVH).  
 Listed on the OTCQX International marketplace in the US (Code: AVMX)

## Internet Address

[www.avitamedical.com](http://www.avitamedical.com)

## From the Chairman

Dear Shareholder,

The last twelve months has certainly been an exciting time for Avita during which we continued to execute our commercial strategy for ReCell® and further strengthened our leadership team.

I joined the Avita team just over a year ago as I found it a compelling opportunity to invigorate a Company with tremendous potential. I am also delighted to contribute to an innovative technology that can truly revolutionize the wound care and regenerative medicine industries. This unique platform has the potential to bring a drastically improved treatment to patients who have suffered traumatic injuries. This includes severe burns, chronic wounds as well as patients in need of skin repigmentation. These ailments and defects are not only physical, but can be emotionally damaging to patients. We believe that our technology has the ability to enhance both aspects of their lives. Our main goal over the past year has been to advance the broad commercialization of our proprietary ReCell® technology. We have made very impressive strides to date. We have clearly defined the addressable markets for our technology and have repositioned Avita so that patients, clinicians and regulators can better understand the value of ReCell®. We believe the wound care space is not sufficiently serviced with the current treatment options. Therefore, we are positioning ourselves to fill

this void. We are expanding our footprint globally, most importantly in the United States, where we see significant opportunity. In the US, we have gained acceptance through the Burns and Compassionate Use IDE programs. The recent receipt of a contract with the US Biomedical Advanced Research Development Authority (BARDA) is a validation of our technology. The agreement provides additional non-dilutive capital to support our ongoing clinical development efforts. It also affords us the opportunity to further demonstrate the value of our technology in one of the most important markets for our platform.

I believe a crucial component to the recent and future success of Avita is the appointment of Adam Kelliher as our Chief Executive Officer. Adam has a very impressive background in sales and marketing and a proven track record of growing commercially successful businesses in the life sciences sector. His experience and leadership capabilities will be essential to Avita's long-term success. We are extremely happy to have him lead our team.

Looking to the coming year, I remain excited about Avita's potential. We have a strong team in place to grow this business and further develop our ReCell® technology platform. We are excited about the prospect of expanding access to patients and clinicians for an improved treatment option for skin cell regeneration

and enhancing Avita's commercial success. Your Board is committed to working alongside management to achieve these results and to deliver value for our Shareholders. We truly appreciate the ongoing support of all of Avita's stakeholders and employees, and look forward to our continued progress on your behalf.



Lou Panaccio  
Chairman  
Avita Medical

# From the CEO

Dear Shareholder,

I appreciate this opportunity to communicate with our dedicated supporters. As many of you know, I was appointed Chief Executive Officer of Avita Medical in April of this year. I came in at a time of transition for the Company as its focus was shifting toward development and commercialization of ReCell®. When I joined Avita, the Company had a superb team in place that was moving in the right direction. I'm pleased to say that we have continued this momentum and are seeing the results of the team's hard work.

We have a clear strategy in place to expand the commercialization of our ReCell® technology and to further its clinical development, and we are progressing well on both fronts.

## **Positioning ReCell® for commercial success**

In order to have a commercially successful product, it is key to have defined markets to pursue. We have done this by focusing on acute injuries, chronic wounds and repigmentation. These clinical indications provide large and exciting market opportunities in which we believe our technology can have a significant impact. These are also indications that are not geographically limited. Patients in need of regenerative skin care can be

found globally and we are working to expand the markets that we reach.

One of the more important markets for Avita will be the United States. We are extremely excited by the interest the US government has demonstrated in our technology, most recently with the contract we received from the US Biomedical Advanced Research Development Authority (BARDA). With this contract, the US government has committed to the purchase of over 5,000 of our ReCell® devices to be used in a catastrophic scenario involving burn injuries and establish a strategic stockpile of our devices that we will manage. In addition, this agreement entails a capital commitment of close to USD\$17 million, some of which will be used to fund the completion of our FDA pivotal trial. Furthermore, there are options that could lead to an additional USD\$37 million in financing for support of other potential post-market surveillance that could be required by the FDA, as well as the ability to provide the US government with up to 20,000 devices for surge capacity. We believe this is an extraordinary validation of our technology.

While we have established new inroads in the US, some of the pieces had already been in place to enhance our commercial footprint globally and we have renewed our efforts to take advantage of these opportunities. We

have expanded sales in Germany, France and the UK, three key markets in which we had an existing presence owing to the hard work of our dedicated sales forces in these regions.

There are other strategically important markets in which we are growing or establishing our sales infrastructure, including Ireland and Australia, where we believe we can enhance the level of care. We have also gained traction in China and Saudi Arabia, where our technology has been approved and clinicians and hospitals have shown real interest in the use of ReCell® skin cell regeneration therapy.

There were 32 territories in which we had approvals, but had been overlooked from a commercial perspective. We are now engaged in discussions with partners and distributors in these markets, which will enable us to set up the infrastructure needed to begin commercialization.

## **Continuing the Advancement of Clinical Development**

While much of our focus is on the commercial ramp-up of ReCell®, we have also continued advancing the clinical development of the technology. In January, we enrolled the first patient in our U.S. pivotal trial evaluating ReCell in the treatment of patients with severe burn injuries. We

## From the CEO (Cont.)

To-date, we have enrolled 23 of the 30 patients targeted for the study, and currently anticipate completing enrolment before year-end.

Additionally, positive data from a study of ReCell® in patients with depigmented skin lesions caused by vitiligo or piebaldism was published in the Journal of the American Academy of Dermatology. Our work has recently received other recognition, in journals and publications such as The British Journal of Surgery and Army Technology magazine. We take great pride in the appreciation that has been demonstrated by our peers and groups that can truly understand the value of the science we are developing.

We have also begun working with the University of Huddersfield in England to gain a better understanding of how our Regenerative Epithelial Suspension (RES™) created by ReCell® can treat skin trauma.

With further knowledge of how RES™ interacts in the regeneration of skin cells, we will be better equipped to market this product to physicians and pursue additional opportunities for the application of this technology. We believe there is a tremendous amount of potential for our RES™ technology and are excited to continue its development and further explore its capabilities.

These commercial and clinical initiatives are the foundation for our long-term success, and we are making headway in other areas that we believe position Avita for strong growth in the future. We have broadened our IP estate with the grant of a new U.S. patent, while one of the fundamental ReCell® patents was recently validated in eleven European countries. We are pleased that international patent authorities continue to recognize Avita's innovation in the regenerative arena and the uniqueness of our technology.

### Improving our Financial Strength

Our team has dedicated itself to commercial success and we have already begun to see this pay off. For the year we increased sales of ReCell® by 25%. This includes significant growth in key markets such as the United Kingdom, Australia, Germany, and China. While we did experience increased expenses during the year, this was expected as we are investing in the Company and its programs to ensure our long-term success.

The Company further strengthened its balance sheet during the year by raising a total of over \$6 million.

This will provide additional support for our ongoing global expansion plans and better position us as we work toward a potential listing in the US markets.

### Looking Toward the Future

We have made tremendous progress over the past year, but also realize there is a lot more that we believe we can accomplish. The need for skin cell regeneration is significant, and we believe we are in a unique position to help these patients and the clinicians that treat them. Our focus remains on accessing new market opportunities globally and further penetrating those in which we are already established.

Avita has a well-defined development and growth strategy, and more importantly, a strong team in place with the energy and ability to successfully accomplish our long-term goals. We appreciate your continued support and look forward to sharing our future successes with all of those involved in Avita Medical.



Adam Kelliher  
Chief Executive Office  
Avita Medical

# Directors' Report

Your Directors present their report with respect to the results of Avita Medical Limited (the "Company") for the year ended 30 June 2015 and the state of affairs of the Company at that date. Avita Medical Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared this consolidated financial report incorporating the entities that it controlled during the financial period.

## DIRECTORS

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



**Lou Panaccio**  
(Chairman)

Mr Panaccio, a successful healthcare businessman with extensive experience progressing companies from concept to commercialisation, was appointed to the role of Chairman of the Board, effective from 1 July 2014. Mr Panaccio replaces Mr Ian Macpherson who has served in the interim role since December 2013. Mr Panaccio possesses more than 30 years' executive leadership experience in healthcare services and life sciences, including approximately

15 years' board-level experience. Mr Panaccio is currently a Non-Executive Director of an ASX50 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 the Executive Chairman of Health Networks Australia Group, Non-Executive Director Yarra Community Housing, Non-Executive Director Inner East Community Health Service and Executive Chairman of Genera Biosystems Limited. He was also the Chief Executive Officer and an Executive Director of Melbourne Pathology for 10 years to 2001. Mr Panaccio has also served in executive and board roles with CPW Group, Monash IVF Group, Primelife Corporation Limited and other private entities. During the past three years Mr Panaccio has also served as a Director of the following other listed companies:

- Sonic Healthcare Limited \* (appointed June 2005)
- Genera Biosystems \* (appointed 25 November 2010)

\* denotes current directorship



**Ian Macpherson**  
(Deputy-Chairman)

Mr Macpherson was appointed to the Board on 5 March 2008 following completion of the merger with Visiomed Group Limited. Mr Macpherson is a graduate from the University of Western Australia with a Bachelor of Commerce (B.Comm). He commenced his career in commerce in 1978 prior to entering the Chartered Accounting profession. In July 1990 he resigned from the partnership of Arthur Anderson and Co to establish the firm of Ord Partners, Chartered Accountants (subsequently Ord Nexia). In October 2010 Ord Nexia merged with MGI Perth and Mr Macpherson continued in a consulting role with the merged group until November 2011. Mr Macpherson was appointed Chairman of Avita Medical Limited for an interim period from 11 December 2013 to 30 June 2014.

Mr Macpherson advises on capital structuring, equity and debt raising, ASIC and Securities Exchange compliance procedures. He is a member of the Institute of Chartered Accountants in Australia and Australian Institute of Company Directors. During the past three years Mr Macpherson has also served as a director of the following other listed companies:

## Directors' Report (Cont.)

- Rubicon Resources Limited\* (Appointed 18 October 2010)
- Navigator Resources Limited (Appointed 1 July 2003; Resigned 14 January 2013)
- Kimberley Rare Earths Limited (Appointed 2 December 2010; Resigned 29 November 2012)
- Red 5 Limited\* (Appointed 5 April 2014)

\* denotes current directorship



**Fiona Wood**  
(Non-Executive Director)

Winthrop Professor Wood was re-appointed to the Board on 11 April 2006 following her earlier resignation from the Board on 31 December 2005. Professor Wood is currently Director of the Western Australian Burns Service and a Consultant Plastic Surgeon at both the Royal Perth and Princess Margaret hospitals. She is the Chairman of the Fiona Wood Foundation formerly the McComb Research Foundation established in 1999 with co-founder Marie Stoner.

Professor Wood has been involved in a number of education and disaster response programs associated with her interest in burns and has published a variety of papers over the years. In addition, she has been the recipient of the 2003 Australian Medical Association "Contribution to Medicine"

award and a Member of the Order of Australia for her work with Bali bombing victims.

Professor Wood was named West Australian of the Year in 2004 and 2005 and was named as Australian of the Year in 2005. Professor Wood is not a Director of any other listed company.



**Jeremy Curnock Cook**  
(Non-Executive Director)

Mr Curnock Cook was appointed to the Board on 19 October 2012 and is currently on a number of boards of International Healthcare and Biotechnology companies. He is the former head of the life science private equity team at Rothschild Asset Management, was responsible for the launch of the first dedicated biotechnology fund for the Australian market and the launch of a joint venture with Johnson & Johnson Development Corporation for the creation of Healthcare Ventures, an investment vehicle dedicated to seed stage investments in Europe, as well as the conception and launch of the International Biotechnology Trust. He is currently the Managing Director of Bioscience Managers Pty Ltd, responsible for the BM Asia Pacific Healthcare Fund. During the past three years Mr Curnock Cook has also served as a director of the following other listed companies:

- Bioxyne Ltd\* (Appointed 7 May 2012 – resigned July 2014)
- Phylogica Ltd\* (Appointed March 2012)
- AmpliPhi Bioscience Corporation Inc\* (Appointed July 1995)
- Sea Dragon Marine Oils Ltd\* (Appointed 15 October 2012)
- Eacom Timber Corporation (Appointed 1997 – resigned June 2013)
- Rex Bionics plc\* (Appointed 27 February 2012)
- Adherium Ltd\* (Appointed July 2015)

\* denotes current directorship



**Matthew McNamara**  
(Non-Executive Director)

Mr McNamara was appointed to the Board on 19 October 2012 and is currently the Chief Investment Officer and director of BioScience Managers Pty Ltd. Mr McNamara has over 25 years experience in the Healthcare & Medical Sciences sector. After initially being a Molecular Biology Research Assistant, he spent 11 years in Sales & Marketing and General Management with Merck & Co. and Johnson and Johnson Medical Pty. Ltd respectively. He has served as SVP Business Development of



## Directors' Report (Cont.)

eBioinformatics Inc. and was CEO of a Life Sciences Venture Capital Fund, SciCapital Pty. Ltd. During the past three years Mr McNamara has also served as a Director of the following other listed companies:

- Sea Dragon Limited\* (Appointed 5 October 2012)
- Bioxyme Limited (Appointed an Alternative Director 22 August 2013, resigned June 2014)

\* denotes current directorship

early stage biotech companies. He also previously served as a Venture Partner with Bay City Capital, LLC based in San Francisco California. During the past three years Dr Perry has also served as a Director of the following other listed companies:

- Arrowhead Research Corporation\* (Appointed December 2011)
- AmpliPhi Biosciences\* (Appointed November 2005)

\* denotes current directorship



**Dr Michael Perry**  
(Non-Executive Director)

Dr Perry was appointed to the Board on 6 February 2013 and currently serves as Chief Scientific Officer of Global Cell and Gene Therapy for Novartis Pharmaceuticals Corp. From 2012 – 2014 he served as Vice President and Global Head of Stem Cell Therapy for Novartis Pharmaceuticals Corp, a US affiliate of Switzerland-based Novartis AG. Dr Perry, based in the United States, has previously served as the Global Head of R&D at Baxter Healthcare, President, Cell & Gene Therapy at Novartis affiliates Systemix and Genetic Therapy, Inc., VP Regulatory Affairs at Sandoz Pharmaceuticals Corp., Director of Regulatory Affairs at Schering-Plough Corporation, and Chairman, CEO or CMO at several

## COMPANY SECRETARY

### Gabriel Chiappini BBus, CA, GAICD

Gabriel is a Chartered Accountant and member of the Australian Institute of Company Directors with over 20 years experience in the Commercial Sector. Over the last 15 years Gabriel has held positions of Director, Company Secretary and Chief Financial Officer in both public and private companies with operations in Australia, the United Kingdom and the United States. He has assisted a number of companies list on the ASX and been involved with equity raisings exceeding AUD\$250m. Gabriel has a sound understanding of the Australian Securities Exchange (ASX) Listing Rules and an in depth knowledge of the Corporations Act.

Gabriel currently manages his own consulting firm specialising in providing Director, company secretarial, corporate governance and investor relation services. He currently acts as a Director and Company Secretary for several companies listed on the ASX. Gabriel is currently Chairman of ASX listed company DMY Capital Ltd and a Non-Executive Director of Black Rock Mining Limited and Sunbird Energy Limited.

### Interests in the Shares and Options of the Company

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
I Macpherson	10,799,997	-
F Wood	723,365	-
J Curnock Cook <sup>1</sup>	-	-
M McNamara <sup>1</sup>	-	-
M Perry	-	-

<sup>1</sup> 41,129,032 shares held in the name of One Funds Management Limited <Asia Pac Health Fund II A/C> are managed and beneficially owned by BioScience Managers Pty Ltd of which Mr Curnock Cook and Mr McNamara are officers.

## EARNINGS PER SHARE

Earnings per share for the current year was a loss of 2.01 cents per share compared to a loss of 1.58 cents per share for the previous period. Weighted average number of ordinary shares on issue used in the calculation of basic loss and diluted loss per share is 353,085,392.

## DIVIDENDS

Since the end of the previous financial period, no amount has been paid or declared by the Company by way of dividend.

## EMPLOYEES

The number of full-time employees of the economic entity at 30 June 2015 was 21 (30 June 2014:21).

## PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were:

- the commercialisation of the Company's regenerative product; and
- supply of spacers to the adult and adolescent respiratory market.

## OPERATING AND FINANCIAL REVIEW

### Group Overview

#### *Regenerative Medicine*

The Company develops and distributes tissue-engineered products for the treatment of wound and other skin defects. The lead product, ReCell® Autologous Spray-On-Skin, enables the collection of healthy skin cells for immediate treatment of existing scars created by burns, skin grafts, acne, acute wounds or surgery, and skin discolouration including leucoderma and vitiligo. The Company is focused on obtaining regulatory approval in key markets and establishing a commercial platform to successfully penetrate these markets. ReCell is cleared for sales in Australia (TGA) and Europe (CE marked). Clinical trials are underway worldwide to provide clinical evidence in support of marketing claims and to secure regulatory approvals.

#### *Respiratory*

The Company manufactures and sells a range of spacers for the paediatric, adolescent and adult market and is the leading provider of spacers in Australia. Products include the Funhaler® incentive asthma spacer,

designed for the paediatric market, and Breath-A-Tech addressing the adolescent and adult markets.

### **Operating Results for the Year**

Revenue from sale of goods was \$2,750,176, up 2.5% over the previous year (2014: \$2,683,133). Revenue from the sale of goods, other revenue and other income was \$2,979,164, a decrease of 9% over last year (2014: 3,277,714). Cost of sales were \$755,291 (2014: \$670,893) up 13% due to manufacturing cost gains while gross profits at \$1,994,885 (2014: \$2,012,240) decreased by only 9%. Normal operating costs were \$9,985,037 (2014: \$9,265,933) an increase of 8% compared to last year. This reflects management's plans to focus on global sales & marketing efforts and to complete clinical trials in Europe and China. The net loss before tax was \$7,761,164 up 17% on last year (2014: \$6,659,112).

### **Investments for Future Performance**

The Company continues to focus on achieving sales penetration in the regenerative medicine and respiratory markets. The Company is directing its resources to a limited number of key markets, working with a small number of select distributors and, where warranted, the addition of dedicated sales consultants or product specialists will be considered. The Company has commenced several clinical trial programmes to further develop clinical evidence in key indications. The Company's strategy for its respiratory line of products is to continue to grow and solidify its dominant position in the Australia market.

## **Review of Financial Condition**

### **Capital Structure**

On 11 March 2015, the Company raised \$5,042,280 through a placement of 406,635,505 shares to sophisticated and institutional investors less capital raising costs of \$440,102. Subsequently, on 16 April 2015, the Company raised a further \$1,135,500 in a Share Purchase Plan through the issue of 18,314,508 shares less capital raising costs of \$135,276.

### **Cash from Operations**

Net cash outflows used in operations decreased by 7.5% compared to the previous period, from \$6,924,939 in 2014 to \$6,407,437 in the current year.

### **Risk Management**

The Board is responsible for overseeing the establishment and implementation of an effective risk management system and reviewing and monitoring the Company's application of that system. Implementation of the risk management system and day-to-day management of risk is the responsibility of the CEO, with the assistance of senior management as required. The CEO is responsible for reporting directly to the Board on all matters associated with risk management.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

During the 2015 financial year, the Company made a number of changes to its senior management structure and sales & marketing operating division in addition to the capital raising initiatives as outlined above. Otherwise there have been no significant changes in the state of affairs.

## **SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

Post year end, the Company initiated a US focused capital raising as a first phase of a planned US market uplist. On 31 August 2015 the company received a positive response from the Biomedical Advanced Research and Development Authority (BARDA) on a proposal to the US federal body exploring the possible use of ReCell under a disaster preparedness programme. Consequently the directors decided to place the US capital raise on hold pending the outcome of negotiations with BARDA. Other than this no matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company continues to focus on achieving sales penetration in key approved markets and is also anticipating further regulatory approvals in a number of important global markets. Sales revenue is expected to increase during the next

financial year as market penetration increases and approvals are received in new markets.

## **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The principal activities of the Company are not subject to any particular or significant environmental regulations.

## **SHARE OPTIONS**

### ***Unissued Shares***

As at the reporting date, there were 9,441,250 unissued ordinary shares under options represented by:

1,000,000 exercisable at \$0.14 expiring 30 November 2015, issued to the ex Chief Executive Officer at the Annual General Meeting held on 30 November 2010.

1,660,000 exercisable at \$0.14 expiring 30 November 2016, issued to the ex Chief Executive Officer at the Annual General Meeting held on 30 November 2010.

1,406,250 exercisable at \$0.14 expiring 30 November 2017, issued to the ex Chief Executive Officer at the Annual General Meeting held on 30 November 2010.

375,000 exercisable at \$0.14 expiring 30 November 2018, issued to the ex Chief Executive Officer at the Annual General Meeting held on 30 November 2010.

150,000 exercisable at \$0.15 expiring 9 July 2015, issued to an employee on 9 July 2012.

1,800,000 exercisable at \$0.15 expiring 15 October 2018, issued to the Chief Financial Officer on 15 May 2013.

1,600,000 exercisable at \$0.16

expiring 28 February 2017, issued to several employees on 28 February 2014.

700,000 exercisable at \$0.175 expiring 28 February 2017, issued to an employee on 28 February 2014.

250,000 exercisable at \$0.10 expiring 30 June 2017, issued to the Chief Financial Officer on 15 December 2013.

250,000 exercisable at \$0.12 expiring 30 June 2017, issued to the Chief Financial Officer on 15 December 2013.

250,000 exercisable at \$0.14 expiring 30 June 2017, issued to the Chief Financial Officer on 15 December 2013.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related corporate body.

### ***Shares Issued as a Result of the Exercise of Options***

During the financial year and up to the date of this report, no options were exercised to acquire fully paid ordinary shares in the Company.

## **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The Company has paid premiums in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies that cover all directors and officers of the Company to the extent permitted by law. The policy conditions preclude the Company from any detailed disclosures.

## REMUNERATION REPORT (audited)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive and Senior Executives of the Company and the Group.

### Details of key management personnel

(i) Directors	
Lou Panaccio	Chairman (appointed 1 July 2014)
Ian Macpherson	Deputy-Chairman (Non-Executive)
Fiona Wood	Director (Non-Executive)
Jeremy Curnock Cook	Director (Non-Executive)
Matthew McNamara	Director (Non-Executive)
Michael Perry	Director (Non-Executive)
(ii) Executives	
Adam Kelliher	Chief Executive Officer (appointed 13 April 2015)
Timothy Rooney	Chief Financial Officer / Chief Operations Officer (former Interim CEO)
Andrew Quick	VP Research & Technology
William Marshall	VP Operations
Justin McCann	VP Finance
Lorraine Glover	General Manager - Asia Pacific
Claire Darby	General Manager – EMEA
Lesley Whitlock	Sales & Marketing Director (left 28 November 2014)
Gabriel Chiappini	Company Secretary

There were no other changes of the CEO or Key Management Personnel after the reporting date and before the date the financial report was authorised for issue.

### Update from Remuneration Committee

During FY15 the committee carried on with its report and recommendations from FY14 which was to act on the feedback received from shareholders and advisors following the remuneration strike received at the 2013 AGM. This resulted in the continuation of the freeze on short term incentives for existing senior personnel announced in 2014 and the

implementation of Long Term Incentive Plan (LTIP).

The Company was also pleased to announce in FY15 the appointment of Mr Adam Kelliher as Chief Executive Officer. Adam joins the company having been a successful entrepreneur with a strong marketing background and a track record of creating and building life science companies. He previously founded Equateq Limited (2006), a cGMP-certified manufacturer

providing super-pure fatty acids for the nutritional, pharmaceutical and research sectors which was sold to BASF in 2012. He also started Equazen Limited (2000), a leading omega-3 and omega-6 supplement company whose lead product, eye q™ for lipid deficiencies linked to learning conditions, and at sale was marketed in 16 countries. Equazen was sold to Galencia of Switzerland in December, 2007. Mr. Kelliher received a Master of Arts from the University of Auckland and is a graduate of the Entrepreneurial Development Program at the Massachusetts Institute of Technology, Sloan School of Management.

We identified a number of key areas for improvement which has resulted in a review of remuneration practices, policies and plans associated with KMP remuneration. So as to develop an appropriate foundation for future practices the Remuneration Committee has a formal Remuneration Governance Framework which, at the core, consists of:

- A revised Remuneration & Nomination Committee Charter which now mandates the development and maintenance of other Remuneration Governance Framework elements;
- A Senior Executive Remuneration Policy;
- A Short Term Incentive (STI) Policy & Procedure document; and
- A Long Term Incentive (LTI) Policy & Procedure document.

The Board addressed many of the concerns received from shareholders and undertook an independent review process with a focus on restructuring of both the STI and LTI policies with the review recommending that

limited or no cash based STI should be offered (outside of contractual commitments).

### Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and Executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

### Use of Remuneration Consultants

During the financial year, the Group utilised the services of the Godfrey Remuneration Group to provide a report on bench marking of remuneration for senior executive roles and for assistance in preparing the remuneration report for the 30 June 2014 financial report. They were paid \$19,000 for their services. No other remuneration consultants have been used.

### Company Performance and Links Between Performance and Reward

The following table outlines those measures of performance which are required to be displayed to shareholders under the Corporations Act, however at this stage in the Company's evolution the Board does not believe this perspective is particularly useful to shareholders. Therefore a discussion of Company

performance during FY15 follows and should be considered in conjunction with the Operating and Financial review outlined on Page 9 of this report:

Financial Year	Net Loss after Tax (\$)	Loss per Share (cents)	Share Price (cents)
2015	7,107,496	2.01	7.2
2014	5,147,391	1.58	10.0
2013	8,092,939	2.69	13.0
2012	7,671,682	3.22	18.5
2011	1,796,920	1.56	11.3
2010	5,889,363	5.46	11.5
2009	5,128,292	5.49	10.0

There have not been any dividends paid during the period noted in the above table.

### Remuneration Framework, Philosophy and Policies

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre Executives;
- Acceptability to shareholders through transparency and engagement, and ensuring that remuneration frameworks and practices are appropriate to the circumstances of the Company as it evolves;
- Performance linkage and alignment of Executive compensation; and
- Establish appropriate, demanding performance hurdles in relation to variable Executive remuneration.

At this stage in the Company's development, the main focus of executives and of performance assessment is clinical trials, proof of concept, informing the market and establishing operations subsequent to

the success of a proof of concept or clinical trials. Incentives are intended to be linked to shareholder value via milestone completion, clinical trial outcomes and total shareholder return (TSR).

### Non-executive Director Remuneration

#### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

#### Policy

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is to be commercially acceptable, competitive and subject to an annual review. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

#### Structure

In accordance with best practice

corporate governance, the structure of Non-Executive Director and Senior Management remuneration is separate and distinct. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 29 November 2005 when shareholders approved an aggregate remuneration of \$450,000 per year in respect of fees payable to Non-Executive Directors. Please refer to Table 2 of this report for the allocation of Directors' fees.

Each Director receives a fee for being a Director of the Company and includes attendance at Board and committee meetings. Any additional services provided are charged at a daily rate agreed in advance by the Chairman. The Non-Executive Directors do not participate in any incentive programs. These additional services provided are disclosed as other short term benefits in Table 1 of the remuneration report.

The remuneration of Non-Executive Directors for the year ended 30 June 2015 is detailed in Table 2 of this report.

### **Executive Remuneration (including Executive Directors)**

#### **Objective**

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward Executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives

with those of shareholders; and

- ensure total remuneration is competitive by market standards.

#### **Policy**

As disclosed in our Remuneration Committee Charter available on our website, the company's broad framework is noted below:

The committee is to ensure that:

- executive remuneration packages may involve a balance between fixed and incentive pay, reflecting short and/or long term performance objectives appropriate to the Company's circumstances and objectives;
- a proportion of executives' remuneration is structured in a manner designed to link reward to corporate and individual performances; and
- recommendations are made to the Board with respect to the quantum of bonuses to be paid to executives.

To the extent that the Company adopts a different remuneration structure for its Non-Executive Directors, the committee shall document its reasons for the purpose of disclosure to stakeholders.

#### **Structure**

The Remuneration Committee determines the level and make-up of the Chief Executive remuneration. The Committee takes advice from the Chief Executive with input from independent market remuneration advisers to set and approve all other executive remuneration. To assist in achieving the Company's objectives, the Remuneration Committee links the nature and amount of officers' emoluments to the Company's performance.

Remuneration may consist of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - Short Term Incentive (STI); and/or
  - Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each Executive by the Remuneration Committee annually. Table 2 details the fixed and variable components of the Executives of the Group and the Company.

### **Fixed Remuneration**

#### **Objective**

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. During the 2015 financial year there were no benefits paid in kind (2014: nil).

#### **Structure**

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of company-wide and individual performance and relevant comparative remuneration in the market.

### **Variable Remuneration – Short Term Incentive (STI)**

#### **Objective**

The objective of variable remuneration is to link the achievement of the Group's operational targets with the remuneration received by the Executives charged with meeting those targets. The Company's STI objectives:

- Motivate Senior Executives to achieve the short term annual objectives linked to Company success and shareholder value creation;
- Create a strong link between performance and reward;
- Share company success with the Senior Executives that contribute to it; and
- Create a component of the employment cost that is responsive to short to medium term changes in the circumstances of the Company.

### **Structure**

As disclosed in 2014, the Company undertook an external independent review and adopted its findings to put a freeze on its STI for executives and employees.

During FY15 the Company replaced its STI plan with a LTIP that will be rolled out during FY16 and focus on a number of targeted Key Performance Indicators (KPI) including financial and non-financial targets, corporate targets and individual measures of performance.

On an annual basis, after consideration of performance against KPI's, the level of variable remuneration (if any) is approved by the Remuneration Committee. Payments made are usually delivered as a cash bonus and options.

### **Variable Remuneration – Long Term Incentive (LTI)**

#### **Objective**

The objective of the LTI plan is to reward Executives in a manner that aligns remuneration with the creation of shareholder wealth and to create

an element of remuneration that supports the executive team working together to achieve this outcome over the long term. The LTI plan is also a key component of the Company's retention strategy.

#### **Structure**

The Company has two LTI plans available for use with senior executives and staff. At the 2014 AGM, shareholders approved a Performance Rights Plan. At the General Meeting of shareholders on 24 August 2015, shareholders approved a share loan plan for senior executives. The board plan on implementing and finalising the allocation of LTI securities during the second half of 2015.

#### **LTI for 2015 financial year**

There were no LTI securities issued during FY15, this was largely due to the company reassessing its remuneration mix and policy, as noted previously the Company now has two separate LTI plans that it can use as part of incentivising senior executives and staff.



## Remuneration of Key Management Personnel

**Table 1: Employment Contracts**

The following table outlines the specified terms of the relevant employment contracts for the Key Management Personnel of the Company:

Role	Incumbent	Contract duration	Period of notice	Termination payments provided for by contract
CEO (from 13 April 2015)	Mr Adam Kelliner	Open ended contract	12 month notice period	12 months if notice given by either party
CFO / COO (former Interim CEO)	Mr Timothy Rooney	Open ended contract	6 month notice period	6 months if notice given by either party
All other executives	Mr Andrew Quick	Open ended contract	3 month notice period	Payment in lieu of notice only, no other benefits specified
	Mr William Marshall	Open ended contract	3 month notice period	Payment in lieu of notice only, no other benefits specified
	Ms Lorraine Glover	Open ended contract	3 month notice period	Payment in lieu of notice only, no other benefits specified
	Mr Justin McCann	Open ended contract	60 days notice period	Payment in lieu of notice only, no other benefits specified
	Ms Claire Darby	Open ended contract	60 days notice period	Payment in lieu of notice only, no other benefits specified
Board Chairman (from 1 July 2014)	Mr Lou Panaccio	Open ended contract	Nil notice period- subject to Avita constitution	Payment in lieu of notice only, no other benefits specified
All other non-executive directors	Mr Ian Macpherson	Open ended contract	Nil notice period- subject to Avita constitution	Payment in lieu of notice only, no other benefits specified
	Ms Fiona Wood	Open ended contract	Nil notice period- subject to Avita constitution	Payment in lieu of notice only, no other benefits specified
	Mr Jeremy Curmook Cook	Open ended contract	Nil notice period- subject to Avita constitution	Payment in lieu of notice only, no other benefits specified
	Mr Matthew McNamara	Open ended contract	Nil notice period- subject to Avita constitution	Payment in lieu of notice only, no other benefits specified
	Mr Michael Perry	Open ended contract	Nil notice period- subject to Avita constitution	Payment in lieu of notice only, no other benefits specified

## Remuneration of Key Management Personnel

Table 2: Remuneration for the year ended 30 June 2015

	Short-term			Post-employment			Equity	Total	% remuneration consisting of options	% of remuneration performance related
	Salary & fees	Other	Non-monetary benefits	Cash bonus **	Superannuation	Long service leave				
<b>Non-Executive Directors</b>										
L Panaccio – Chairman	78,750	-	-	-	7,481	-	-	86,231	-	-
I Macpherson	52,500	-	-	-	4,988	-	-	57,488	-	-
F Wood	40,000	-	-	-	-	-	-	40,000	-	-
J Currock Cook	40,000	-	-	-	-	-	-	40,000	-	-
M McNamara	40,000	-	-	-	-	-	-	40,000	-	-
M Perry	52,244	-	-	-	-	-	-	52,244	-	-
<b>Sub-total Non-Executive Directors</b>	<b>303,494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,469</b>	<b>-</b>	<b>-</b>	<b>315,963</b>	<b>-</b>	<b>-</b>
<b>Other Key Management Personnel &amp; Executives</b>										
A Kellner – CEO (appointed 13 April 2015)	110,639	9,769	-	-	9,971	-	-	130,379	-	-
T Rooney – CFO / COO (former Interim CEO)	409,577	13,029	22,840	-	23,961	-	13,338	482,745	2.8	-
A Quick – VP Research & Technology	285,860	12,508	30,169	-	17,090	-	-	345,627	-	-
W Marshall – VP Operations	169,336	5,137	44,135	-	3,338	-	-	221,946	-	-
J McCann – VP Finance	166,903	(59)	9,574	4,435	14,826	-	-	195,679	-	2.3
L Glover – General Manager Asia Pacific	185,720	3,004	-	-	19,888	7,770	-	216,382	-	-
C Johnson – General Manager EMEA	173,573	62	4,815	4,227	14,555	-	-	197,232	-	2.1
L Whitlock – Sales & Marketing Director *	141,629	660	4,699	(8,523)	6,809	-	-	145,274	-	-
G Chiappini – Company Secretary	36,000	-	-	-	-	-	-	36,000	-	-
<b>Sub-total executive KMP &amp; Executives</b>	<b>1,679,237</b>	<b>44,110</b>	<b>116,232</b>	<b>139</b>	<b>110,438</b>	<b>7,770</b>	<b>13,338</b>	<b>1,971,264</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>1,982,731</b>	<b>44,110</b>	<b>116,232</b>	<b>139</b>	<b>122,907</b>	<b>7,770</b>	<b>13,338</b>	<b>2,287,227</b>	<b>-</b>	<b>-</b>

\*Includes settlement of \$13,779 and pay in lieu of \$33,604 upon cessation of employment on 28 November 2014.

## Remuneration of Key Management Personnel

Table 3: Remuneration for the year ended 30 June 2014

	Short-term			Post-employment			Equity	Total	% remuneration consisting of options	% of remuneration performance related
	Salary & fees	Other	Non-monetary benefits	Cash bonus **	Superannuation	Long service leave				
<b>Non-Executive Directors</b>										
I Macpherson – Chairman	67,036	-	-	-	6,201	-	-	73,237	-	-
F Wood	40,000	-	-	-	-	-	-	40,000	-	-
J Curnock Cook	40,000	-	-	-	-	-	-	40,000	-	-
M McNamara	40,000	-	-	-	-	-	-	40,000	-	-
M Perry	47,177	-	-	-	-	-	-	47,177	-	-
D Gooding (resigned 30 June 2014)	57,292	-	-	-	5,299	-	-	62,591	-	-
<b>Sub-total Non-Executive Directors</b>	<b>291,505</b>	-	-	-	<b>11,500</b>	-	-	<b>303,005</b>	-	-
<b>Executive Directors</b>										
W Dolphin – CEO (resigned 11 December 2013)	174,901	(30,242)*	72,104	63,213**	45,848	-	11,430	337,254	3.3	18.7
<b>Other Key Management Personnel &amp; Executives</b>										
L Glover – General Manager Asia Pacific	157,015	-	268	27,906	16,856	2,623	29,798	234,466	12.7	-
W Marshall – VP Operations	142,856	-	70,988	10,515	1,100	-	-	225,459	-	-
A Quick – VP Research & Technology	189,747	-	33,459	45,279	10,727	-	45,190	324,402	13.9	-
D Leaves (left 7 October 2013)	116,056	-	5,994	(22,102)	4,642	-	-	104,590	-	-
T Rooney – Interim CEO	266,953	-	16,588	61,952	15,014	-	56,440	416,947	13.5	-
L Whitlock (joined 11 November 2013)	130,875	-	738	8,082	10,391	-	13,241	163,327	8.1	-
G Chiappini – Company Secretary	36,000	-	-	-	-	-	-	36,000	-	-
<b>Sub-total executive KMP &amp; Executives</b>	<b>1,214,403</b>	<b>(30,242)</b>	<b>200,139</b>	<b>131,632</b>	<b>104,578</b>	<b>2,623</b>	<b>156,099</b>	<b>1,842,445</b>		
<b>Totals</b>	<b>1,505,908</b>	<b>(30,242)</b>	<b>200,139</b>	<b>194,845</b>	<b>116,078</b>	<b>2,623</b>	<b>156,099</b>	<b>2,145,450</b>		

\* Comprises a recovery of penalty tax from HMRC (UK) on behalf of W Dolphin for UK taxation in relation to the UK secondment in prior years.

\*\* The cash bonus for W Dolphin was approved by the Board on 6 December 2013 and paid in January 2014. All other cash bonuses to other Key Management Personnel are expected to be approved post the signing of this annual report and paid out in the year ending 30 June 2015. As they relate to services for the year ended 30 June 2014, they have been accrued in this remuneration report.

**Table 4: Compensation of Key Management Personnel**

	2015 \$	2014 \$
Short-term employee benefits	2,143,212	1,870,650
Post-employment employee benefits	130,677	118,701
Share-based payment	13,338	156,099
<b>Total compensation</b>	<b>2,287,227</b>	<b>2,145,450</b>

**Table 5: Option holdings of Key Management Personnel**

30 June 2015	Balance at 1 July 2014	Granted as remuneration	Options exercised	Net change other	Balance at 30 June 2015	Vested at 30 June 2015	Vested and exercisable at 30 June 2015	Vested and not exercisable at 30 June 2015
<b>Other KMP</b>								
T Rooney	2,550,000	-	-	-	2,550,000	1,850,000	1,850,000	-
A Quick	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
L Glover	700,000	-	-	-	700,000	700,000	700,000	-
J McCann	300,000	-	-	-	300,000	300,000	300,000	-
C Johnson	300,000	-	-	-	300,000	300,000	300,000	-
	<b>4,850,000</b>	-	-	-	<b>4,850,000</b>	<b>4,150,000</b>	<b>4,150,000</b>	-

**Table 6: Shareholdings of Key Management Personnel**

30 June 2015	Balance at 1 July 2014	Granted as remuneration	On exercise of options	Net change other	Balance at 30 June 2015
<b>Directors</b>					
L Panaccio	-	-	-	-	-
I Macpherson	10,799,997	-	-	-	10,799,997
F Wood	723,365	-	-	-	723,365
<b>Other KMP</b>					
All	-	-	-	-	-
	<b>11,523,362</b>	-	-	-	<b>11,523,362</b>

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

**Other transactions with Key Management Personnel and their related parties**

- (i) During the period fees of \$nil (2014: \$43,000) were paid, under normal terms and conditions, to the F.A.T.S Pty Ltd of which I Macpherson is a director.
- (ii) Former director Mr Dalton Gooding resigned on 30 June 2014, therefore Gooding Partners Chartered Accountants of which Mr Gooding is a partner, is no longer considered to be a related party. During the previous financial year a total of \$45,646 was paid, under normal terms and conditions, to Gooding Partners.

**Table 7: Compensation options: Granted and vested during the year**

	Number of options granted during the year		Number of options vested during the year	
	2015	2014	2015	2014
Executives				
T Rooney	-	750,000	500,000	1,050,000
A Quick	-	1,000,000	-	1,000,000
L Glover	-	700,000	-	700,000
J McCann	-	300,000	-	300,000
C Darby	-	300,000	-	300,000
L Whitlock	-	700,000*	-	200,000
W Dolphin	-	-	-	750,000

\* 700,000 options lapsed during the year due to cessation of employment.

The total fair value of options granted during the year was \$nil (2014: \$162,319) which were allocated over the vesting period.

It should be noted that while options are fully vested, no value can be obtained from them until there has been a significant increase in the share price, since the exercise price of the options materially exceeded the market price at the time of granting.

***Details of options issued during the period:***

No options were issued during the period.

There have been no alterations to the terms or conditions of the options granted as remuneration since the grant date.

**End of Remuneration Report**

**DIRECTORS' MEETINGS**

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	Meetings of Committees		
	Directors' Meetings	Remuneration	Audit
<b>Number of meetings held:</b>	13	1	2
<b>Number of meetings attended:</b>			
Lou Panaccio	12	N/A	2
Ian Macpherson	13	1	2
Fiona Wood	5	N/A	N/A
Jeremy Curnock Cook	11	1	N/A
Matthew McNamara	11	N/A	2
Michael Perry	5	1	N/A

Compliance matters are dealt with under a standing agenda at regular Board meetings.

**Committee Membership**

As at the date of this report, the Company had an Audit Committee and a Remuneration Committee, however on a 'as required' basis, formally constitutes a Nominations Committee dealing with appointment of Executives and Directors.

Members acting on these committees of the Board at the date of this report are:

Audit	Remuneration
Ian Macpherson (c)	Ian Macpherson (c)
Matthew McNamara	Matthew McNamara (replaced Mike Perry on 3 August 2015)
Lou Panaccio (appointed 1 July 2014)	Lou Panaccio (replaced Jeremy Curnock Cook on 3 August 2015)

Notes: (c) Designates the Chairman of each Committee

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have obtained an independence declaration from our auditors, Grant Thornton, as presented on page 23 of this report.

### NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board

Signed in accordance with a resolution of the directors.

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

**Lou Panaccio**

Chairman

Dated: 28 September 2015

Perth, Western Australia



Level 1  
10 Kings Park Road  
West Perth WA 6005

Correspondence to:  
PO Box 570  
West Perth WA 6872

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 audit of Avita Medical Limited for the year ended 30 June 2015, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink that reads "P. Warr".

P W Warr  
Partner - Audit & Assurance

Perth, 28 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	Consolidated	
		2015 \$	2014 \$
<b>Continuing operations</b>			
Sale of goods	2 (a)	2,750,176	2,683,133
Cost of sales	2 (e)	(755,291)	(670,893)
<b>Gross profit</b>		<b>1,994,885</b>	<b>2,012,240</b>
<b>Other revenue</b>	2 (b)	<b>228,988</b>	<b>594,581</b>
<b>Operating costs</b>			
Administrative expenses		(4,429,170)	(4,272,036)
Share based payments		(13,338)	(183,214)
Clinical and research & development expenses		(2,330,596)	(2,151,590)
Sales and marketing expenses		(3,211,920)	(2,633,418)
Finance costs	2 (c)	(13)	(25,675)
<b>Loss from continuing operations before income tax</b>		<b>(7,761,164)</b>	<b>(6,659,112)</b>
Income tax benefit		653,668	1,511,721
<b>Loss for the period</b>	3	<b>(7,107,496)</b>	<b>(5,147,391)</b>
<b>Other comprehensive income</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency translation		199,170	35,489
Other comprehensive income for the period, net of tax		199,170	35,489
<b>Total comprehensive loss for the period</b>		<b>(6,908,326)</b>	<b>(5,111,902)</b>
<i>Loss for the period attributable to the owners of Avita Medical Limited</i>		<i>(7,107,496)</i>	<i>(5,147,391)</i>
<i>Total comprehensive loss attributable to the owners of Avita Medical Limited</i>		<i>(6,908,326)</i>	<i>(5,111,902)</i>
Basic loss per share		(2.01) cents	(1.58) cents
Diluted loss per share		(2.01) cents	(1.58) cents

This consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2015

	Consolidated	
	2015	2014
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,966,555	3,648,390
Trade and other receivables	1,505,442	2,546,939
Prepayments	243,161	195,473
Inventories	594,517	782,236
<b>Total Current Assets</b>	<b>5,309,676</b>	<b>7,173,038</b>
<b>Non-Current Assets</b>		
Plant & equipment	133,490	139,801
<b>Total Non-Current Assets</b>	<b>133,490</b>	<b>139,801</b>
<b>TOTAL ASSETS</b>	<b>5,443,166</b>	<b>7,312,839</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	1,047,579	1,689,252
Provisions	178,704	96,965
<b>Total Current Liabilities</b>	<b>1,226,282</b>	<b>1,786,217</b>
<b>TOTAL LIABILITIES</b>	<b>1,226,282</b>	<b>1,786,217</b>
<b>NET ASSETS</b>	<b>4,216,884</b>	<b>5,526,622</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Contributed equity	117,044,332	111,441,930
Accumulated losses	(113,457,640)	(106,602,169)
Reserves	630,192	686,861
<b>TOTAL EQUITY</b>	<b>4,216,884</b>	<b>5,526,622</b>

This consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Consolidated	
	2015	2014
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	3,000,930	2,925,693
Payments to suppliers and employees	(10,976,849)	(10,548,853)
Government grants received	5,730	343,278
Tax refund received	1,517,058	129,315
Interest received	45,431	186,002
Interest paid	(13)	(25,675)
Royalties and other income received	277	65,301
	<b>(6,407,436)</b>	<b>(6,924,939)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant & equipment	(38,644)	(75,541)
Gain on disposal of plant & equipment	481	5,000
	<b>(38,163)</b>	<b>(70,541)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options	6,177,780	-
Capital raising expenses	(575,378)	-
	<b>5,602,402</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(843,197)</b>	<b>(6,995,480)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,648,390</b>	<b>10,616,849</b>
Impact of foreign exchange	161,362	27,021
<b>Cash and cash equivalents at end of period</b>	<b>2,966,555</b>	<b>3,648,390</b>

This consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

Consolidated	Contributed equity	Accumulated losses	Employee equity benefit reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	<b>111,441,930</b>	<b>(106,602,169)</b>	<b>893,503</b>	<b>(206,642)</b>	<b>5,526,622</b>
Loss for the period	-	(7,107,496)	-	-	(7,107,496)
Other comprehensive income – foreign currency translation	-	-	-	182,018	182,018
<b>Total comprehensive income / (loss) for the year</b>	-	<b>(7,107,496)</b>		<b>182,018</b>	<b>(6,925,478)</b>
Transactions with owners in their capacity as owners					
Expired options	-	252,025	(252,025)	-	-
Share based payments	-	-	13,338	-	13,338
New shares	6,177,780	-	-	-	6,177,780
Cost of share placement	(575,378)	-	-	-	(575,378)
<b>Balance at 30 June 2015</b>	<b>117,044,332</b>	<b>(113,457,640)</b>	<b>654,816</b>	<b>(24,624)</b>	<b>4,216,884</b>

Consolidated	Contributed equity	Accumulated losses	Employee equity benefit reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	<b>111,441,930</b>	<b>(101,706,766)</b>	<b>962,277</b>	<b>(242,131)</b>	<b>10,455,310</b>
Loss for the period	-	(5,147,391)	-	-	(5,147,391)
Other comprehensive income – foreign currency translation	-	-	-	35,489	35,489
<b>Total comprehensive income / (loss) for the year</b>	-	<b>(5,147,391)</b>	-	<b>35,489</b>	<b>(5,111,902)</b>
Transactions with owners in their capacity as owners					
Expired options	-	251,988	(251,988)	-	-
New shares	-	-	-	-	-
Share based payments	-	-	183,214	-	183,214
Cost of share placement	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>111,441,930</b>	<b>(106,602,169)</b>	<b>893,503</b>	<b>(206,642)</b>	<b>5,526,622</b>

This consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

# Notes to the Concise Financial Statements

For the year ended 30 June 2015

## (a) Basis of Preparation and statement of compliance

Avita Medical Limited is the Group's ultimate parent company and is a public company incorporated and domiciled in Australia.

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Avita Medical Limited is a for-profit entity for the purpose of preparing the financial statements.

Except for cash flow information, the financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, for financial liabilities and assets held at fair value through profit or loss and is presented in Australian dollars.

## (b) New Accounting standards and interpretations

The AASB has issued AASB 1054 Australian Additional Disclosures and 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

### Note 2. Revenue and Expenses

	2015	2014
	\$	\$
<b>(a) Revenue</b>		
Sale of goods	2,750,176	2,683,133
Other revenue	228,988	594,581
<b>Total Revenue</b>	<b>2,979,164</b>	<b>3,277,714</b>

	2015	2014
	\$	\$
<b>(b) Other revenue</b>		
Bank interest receivable	45,431	186,002
Contracts received	5,730	343,278
Gain on disposal of Avita Medical Italia Srl	177,550	-
Other income	277	65,301
	<b>228,988</b>	<b>594,581</b>

	2015	2014
	\$	\$
<b>(c) Finance costs</b>		
Other loans	13	25,675
	<b>13</b>	<b>25,675</b>

**Note 2. Revenue and Expenses (continued)**

	2015	2014
	\$	\$
<b>(d) Depreciation, impairment and amortisation included in profit or loss</b>		
Depreciation	62,624	63,711
Loss on disposal of plant & equipment	364	(3,656)

	2015	2014
	\$	\$
<b>(e) Cost of Sales</b>	755,291	670,893

Inventories recognised as an expense as a result of expiration for the year ended 30 June 2015 totalled \$72,902 (2014: \$114,954). This expense has been included in the cost of sales line item as a cost of inventories.

	2015	2014
	\$	\$
<b>(f) Lease payments and other expenses included in profit or loss</b>		
Minimum lease payments – operating lease	209,708	179,595

	2015	2014
	\$	\$
<b>(g) Employee benefits expense</b>		
Wages and salaries	3,565,496	3,003,424
Defined contribution superannuation expense	254,925	241,418
Share-based payments expense	13,338	183,214
	<b>3,833,759</b>	<b>3,428,056</b>

**Note 3. Loss per Share**

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted loss per share computations:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Net loss for the period	(7,107,496)	(5,147,391)
Weighted average number of ordinary shares for basic and diluted loss per share	353,085,392	325,308,404

**Note 4. Segment Information**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segment and to assess its performance.

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 operating segments being the Asia Pacific region, the Americas including Canada, the EMEA region (Europe, Middle East and Africa). The Chief Executive Officer monitors the performance of all these segments separately. The Group does not operate in any other geographic location.

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
- Amortisation of intellectual property

#### 4. Segment Information (continued)

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2015 is as follows:

	Asia Pacific	EMEA	Americas	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2015</b>				
<b>Revenue</b>				
Sale of goods	2,140,678	609,498	-	2,750,176
Other revenues from external customers		277	5,730	6,007
Interest received	44,043	1,239	149	45,431
<b>Total revenue and other income per consolidated statement of profit or loss and other comprehensive income</b>	<b>2,184,721</b>	<b>611,014</b>	<b>5,879</b>	<b>2,801,614</b>
Segment net operating profit / (loss) before tax				
<b>Reconciliation of segment net result before tax to loss before income tax:</b>	(368,329)	(2,541,337)	(2,649,362)	(4,895,699)
Corporate charges				(2,865,465)
<b>Loss before income tax</b>				<b>(7,761,164)</b>

Revenue is attributed to geographic location based on the location of the customers. The percentage of external revenues from external customers that are attributable to foreign countries are as shown below:

	2015	2014
	%	%
Australia	72.9	78.2
Other	27.1	21.8
Total revenue	100	100



	Asia Pacific	EMEA	Americas	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2015</b>				
<b>Segment assets</b>				
Segment operating assets	922,874	565,804	625,368	2,114,046
Unallocated assets				3,329,120
<b>Total Assets per the consolidated statement of financial position</b>				<b>5,443,166</b>
<b>Segment liabilities</b>				
Segment operating liabilities	205,034	358,095	498,107	1,061,236
Unallocated liabilities				165,046
<b>Total liabilities per the consolidated statement of financial position</b>				<b>1,226,282</b>

	<i>Continuing Operations</i>			
	Asia Pacific	EMEA	Americas	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2014</b>				
<b>Revenue</b>				
Sale of goods	2,188,489	494,644	-	2,683,133
Other revenues from external customers	53,507	1,677	353,395	408,579
Interest received	182,720	2,450	832	186,002
<b>Total revenue and other income per consolidated statement of profit or loss and other comprehensive income</b>	<b>2,424,716</b>	<b>498,771</b>	<b>354,227</b>	<b>3,277,714</b>
Segment net profit / (loss) before tax	332,909	(2,264,792)	(3,206,295)	(5,138,178)
<b>Reconciliation of segment net result before tax to loss before income tax:</b>				
Corporate charges				(1,520,934)
<b>Loss before income tax</b>				<b>(6,659,112)</b>

#### 4. Segment Information (continued)

	Asia Pacific	EMEA	Americas	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2014</b>				
<b>Segment assets</b>				
Segment operating assets	2,605,975	1,025,979	1,054,709	4,686,663
Unallocated assets				2,626,176
<b>Total Assets per the consolidated statement of financial position</b>				<b>7,312,839</b>
<b>Segment liabilities</b>				
Segment operating liabilities	278,381	913,564	405,194	1,597,139
Unallocated liabilities				189,078
<b>Total liabilities per the consolidated statement of financial position</b>				<b>1,786,217</b>

#### 5. Commitments and Contingencies

##### Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties. These leases have an average life of between 2 and 5 years and include a renewal option in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2015	2014
	\$	\$
Within one year	266,681	169,889
After one year but not more than five years	638,727	559,758
<b>Total minimum lease payments</b>	<b>905,408</b>	<b>729,647</b>

There are no other commitments and contingencies which require disclosure in this report.

#### 6. Events After the Reporting Date

Post year end, the Company initiated a US focused capital raising as a first phase of a planned US market uplist. On 31 August 2015 the company received a positive response from the Biomedical Advanced Research and Development Authority (BARDA) on a proposal to the US federal body exploring the possible use of ReCell under a disaster preparedness programme. Consequently the directors decided to place the US capital raise on hold pending the outcome of negotiations with BARDA. Other than this no matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

# Directors' Declaration

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 consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2015 and in accordance with a resolution of directors.

On behalf of the Board

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

**Lou Panaccio**

Chairman

Dated: 10 October 2015

Perth, Western Australia



Level 1  
10 Kings Park Road  
West Perth WA 6005

Correspondence to:  
PO Box 570  
West Perth WA 6872

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

**Independent Auditor's Report  
To the Members of Avita Medical Limited**

**Report on the concise financial report**

We have audited the accompanying concise financial report of Avita Medical Limited which comprises the consolidated statement of financial position as at 30 June 2015, 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 year then ended and related notes, derived from the audited financial report of Avita Medical Limited for the year ended 30 June 2015. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

**Directors responsibility for the concise financial report**

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001, and for such internal control as the Directors determine are necessary to enable the preparation of the concise financial report.

**Auditor's responsibility**

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Avita Medical Limited for the year ended 30 June 2015. Our audit report on the financial report for the year was signed on 28 September 2015 and was not subject to any modification apart from an Emphasis of Matter. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Avita Medical Limited, would be in the same terms if given to the Directors as at the time of this auditor's report.

#### **Auditor's opinion**

In our opinion, the concise financial report of Avita Medical Limited for the year ended 30 June 2015 complies with Accounting Standard AASB 1039 Concise Financial Reports.

#### **Report on the Remuneration Report**

The following paragraphs are copied from our Report of the Remuneration Report for the year ended 30 June 2015.

We have audited the remuneration report included in pages 12 to 20 of the Directors' Report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Avita Medical Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

P W Warr  
Partner - Audit & Assurance

Perth, 21 October 2015

# Corporate Governance Statement

Avita Medical Limited (Avita Medical) is committed to continuously improving and achieving high standards of corporate governance. The Board assesses its governance framework and practice believing good corporate governance is closely related to performance and serves in the best interests of shareholders and stakeholders.

Avita Medical's corporate governance statement has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the company's Annual Report pursuant to ASX Listing Rule 4.10.3. The Corporate Governance Report is available at [www.avitamedical.com](http://www.avitamedical.com). The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

A description of the Company's main corporate governance practices and its 'if not, why not' report on compliance with the guidelines is set out below. Where the Company's practices depart from a recommendation, the Board has disclosed the departure along with reasons for adoption of its own practices.

The Avita Medical Corporate Governance Statement is structured with reference to the Third Edition Corporate Governance Guidelines, which are as follows:

- Principle 1 Lay solid foundations for management and oversight
- Principle 2 Structure the board to add value
- Principle 3 Act ethically and responsibly
- Principle 4 Safeguard integrity in corporate reporting
- Principle 5 Make timely and balanced disclosure
- Principle 6 Respect the rights of security holders
- Principle 7 Recognise and manage risk
- Principle 8 Remunerate fairly and responsibly

For further information on corporate governance policies adopted by Avita, refer to our website [www.avitamedical.com](http://www.avitamedical.com)

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
1	Lay solid foundations for management and oversight		
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives	✓	<p>The Board has a Corporate Governance Statement which outlines the role and duties of the Board.</p> <p>The Company considers that the primary responsibility of the Board is to oversee the Company's business activities and management for the benefit of the shareholders by :</p> <ul style="list-style-type: none"> <li>a) Supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to the points noted below:</li> <li>b) Ensuring the Company is properly managed by: <ul style="list-style-type: none"> <li>i) setting and communicating clear objectives;</li> <li>ii) appointing and removing the Chief Executive Officer of the Company;</li> <li>iii) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;</li> <li>iv) input into and final approval of management's development of corporate strategy and performance objectives;</li> <li>v) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;</li> <li>vi) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;</li> </ul> </li> <li>c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;</li> <li>d) approval of the annual budget;</li> <li>e) monitoring the financial performance of the Company;</li> <li>f) approving and monitoring financial and other reporting;</li> <li>g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;</li> <li>h) liaising with the Company's external auditors either directly or via the Audit Committee as appropriate; and</li> <li>i) monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.</li> </ul> <p>The Chief Executive Officer is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his responsibilities the Chief Executive Officer must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.</p> <p>Matters which are not covered by the delegations require Board approval.</p> <p>The Corporate Governance Statement is available on the Company's website in the Investor Relations Centre section.</p>
1.2	A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	✓	<p>Avita Medical is in compliance with the requirements of 1.2 and at the AGM 2015 it has provided security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>

Principle	Corporate Governance best practice recommendation	Compliance	How we comply														
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	✓	As at the date of this statement, the Company is in compliance with the requirements of 1.3.														
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	✓	The Company Secretary has a direct report to the Chairman (Mr Lou Panaccio) and is available to all directors in relation to the requirements of 1.4.														
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>Not applicable</p>	<p>Please refer to our website <a href="http://www.avitamedical.com">www.avitamedical.com</a> for our policy on diversity and gender equality.</p> <p>The table below provides actual data on gender diversity that currently exists within the group.</p> <table border="1" data-bbox="762 875 1410 1133"> <thead> <tr> <th data-bbox="762 875 1179 954" rowspan="2"></th> <th colspan="2" data-bbox="1179 875 1410 913">Actual</th> </tr> <tr> <th data-bbox="1179 913 1294 954">Number</th> <th data-bbox="1294 913 1410 954">%</th> </tr> </thead> <tbody> <tr> <td data-bbox="762 954 1179 1037">Women employed whole organisation</td> <td data-bbox="1179 954 1294 1037">17</td> <td data-bbox="1294 954 1410 1037">59%</td> </tr> <tr> <td data-bbox="762 1037 1179 1084">Women in senior executive roles</td> <td data-bbox="1179 1037 1294 1084">2</td> <td data-bbox="1294 1037 1410 1084">7%</td> </tr> <tr> <td data-bbox="762 1084 1179 1133">Women in board positions</td> <td data-bbox="1179 1084 1294 1133">1</td> <td data-bbox="1294 1084 1410 1133">17%</td> </tr> </tbody> </table>		Actual		Number	%	Women employed whole organisation	17	59%	Women in senior executive roles	2	7%	Women in board positions	1	17%
	Actual																
	Number	%															
Women employed whole organisation	17	59%															
Women in senior executive roles	2	7%															
Women in board positions	1	17%															



Principle	Corporate Governance best practice recommendation	Compliance	How we comply
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>✓</p> <p>✓</p>	<p>The Company does not have a documented procedure for the evaluating the performance of the Board, its committees and directors.</p> <p>An evaluation of the performance of the Board and its directors is undertaken informally each year. The Chairman of the Board is the driver of this process.</p> <p>The evaluation of the performance of the Board's various committees is undertaken on an exception basis. This is also an informal process which is driven by the Chairman of the Board.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>✓</p> <p>✓</p>	<p>It is the role of the Remuneration Committee to evaluate the performance of the Board &amp; individual directors and key senior executives.</p> <p>The performance of the Chief Executive Officer is monitored and evaluated by the Board annually (with reference from the Remuneration Committee) by reference to key performance indicators.</p> <p>The performance of other senior executives, including the Chief Financial Officer is to be reviewed on an annual basis by the board.</p> <p>Refer to the Director's Report for a summary of performance of the Chief Executive Officer.</p>



Principle	Corporate Governance best practice recommendation	Compliance	How we comply
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	<p style="text-align: center;">✓</p> <p style="text-align: center;">Not applicable</p> <p style="text-align: center;">✓</p>	<p>All the members of the board are considered to be independent directors where an independent director is a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations.</p> <p>As disclosed in the company's annual report.</p> <p>As disclosed in the company's annual report.</p>
2.4	A majority of the board of a listed entity should be independent directors.	✓	All the members of the board are considered to be independent directors where an independent director is a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	✓	The Chairman, Mr Panaccio is an independent director.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	✓	As at the date of this statement, the Company is in compliance

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
3	<b>Act ethically and responsibly</b>		
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>The Company has implemented a suite of policies including a Code of Business Conduct which provides guidelines aimed at maintaining high ethical standards and corporate behaviour. The principals of the policies include:</p> <ul style="list-style-type: none"> <li>• Respect the law and act in accordance with it;</li> <li>• Respect confidentiality and not misuse company information, assets or resources;</li> <li>• Avoid real or perceived conflicts of interest;</li> <li>• Act in the best interest of stakeholders; and</li> <li>• Perform their duties in ways that minimise environmental impacts and maximise workplace safety.</li> </ul> <p>Directors and employees are expected to comply with all Company policies and to act professionally with integrity, honesty and responsibility at all times.</p>

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
4	<b>Safeguard integrity in corporate reporting</b>		
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings</p>	✓	<p>The Audit Committee assists the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management procedures and the internal and external audit function. In doing so, it is the Audit and Risk Committee's responsibility to maintain free and open communications between the Committee, the external auditors, the internal auditors and the management of the Company.</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	✓	<p>The Board confirms that CEO &amp; CFO are in compliance with requirements of 4.2</p>

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	✓	The Board confirms requirements to 4.3 are in compliance.
<b>5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. These policies or a summary of the policies should be disclosed	✓	<p>The Company's continuous disclosure policy has been adopted to ensure compliance with obligations under the continuous disclosure regime of the Corporations Law and the Listing Rules of the Australian Stock Exchange Limited and to ensure that all Avita Medical shareholders have access to material information about the Company and its prospects.</p> <p>The disclosure obligations include:</p> <ul style="list-style-type: none"> <li>All employees, Company officers and Directors must comply with the ASX Listing Rules and Corporations Law provisions relating to a timely disclosure of price sensitive information to the ASX. The Company does this by releasing written announcements to the ASX.</li> <li>The Chief Executive Officer, Chief Financial Officer and Company Secretary are accountable for the establishment, communication and maintenance of this policy and ensuring that material information is disclosed to the ASX.</li> </ul>
<b>6</b>	<b>Respect the rights of security holders</b>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	✓	Detailed company and governance details are available to security holders at the company's website <a href="http://www.avitamemical.com">www.avitamemical.com</a>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	✓	The Company encourages shareholders and stakeholders to contact senior executives and directors via website, email or via telephone.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	✓	At all shareholder meetings the chairman of the meeting invites questions both prior to the meeting and at the meeting from shareholders. This is disclosed in our communications policy available to security holders.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	✓	Through our share registry – Computershare Investor Services, the company actively encourages its security holders to receive all communications electronically.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
7	<b>Recognise and manage risk</b>		
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings	✓	The Audit Committee assists the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management procedures and the internal and external audit function. In doing so, it is the Audit and Risk Committee's responsibility to maintain free and open communications between the Committee, the external auditors, the internal auditors and the management of the Company. The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements. Specific areas of risk identified initially and which will be regularly considered at Board meetings include foreign currency, performance of activities, human resources, acceptance by regulatory authorities for the Company's products, markets, manufacturing, the environment, statutory compliance and continuous disclosure obligations. The annual report details material financial risks which arose during the reporting period (see notes to financial statements).
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	✓	The company confirms compliance with 7.2.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; OR (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	 X        X	Disclosures to these risks are noted in the annual report whether reported as nil or disclosed as an exposure.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	✓	Disclosures to these risks are noted in the annual report whether reported as nil or disclosed as an exposure.
<b>8</b>	<b>Remunerate fairly and responsibly.</b>		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings	✓  ✓  ✓  ✓  ✓  ✓	The remuneration committee has Mr Macpherson, Mr McNamara and Mr Panaccio as its members.  The remuneration Committee is chaired by Mr Macpherson who is independent.  The Committee currently has 3 committee members.
8.2	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives	✓	Refer Director's Report, Annual Report
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	✓	Refer Remuneration report, Annual Report



# ASX Shareholder Information

Ordinary Fully Paid Shares (Total) as of 30 September 2015

Range	Total holders	Ordinary Shares	% of Issued Capital
1 - 1,000	395	168,248	0.04
1,001 - 5,000	528	1,655,013	0.39
5,001 - 10,000	733	5,849,666	1.38
10,001 - 100,000	1,218	42,978,841	10.11
100,001 - 9,999,999,999	379	374,298,245	88.08
<b>Total</b>	<b>3,253</b>	<b>424,950,013</b>	<b>100.00</b>

Unmarketable Parcels	Minimum Parcel Size	Holders	Shares
Minimum \$ 500.00 parcel at \$ 0.082 per share	6,098	1,040	2,479,409

Substantial Shareholder		Shares	%
Australian Ethical Investments	Canberra	42,070,051	9.90
BioScience Managers Pty Ltd	Melbourne	41,129,032	9.68

# ASX Shareholder Information

Ordinary Fully Paid Shares (Total) as of 30 September 2015

## AVITA MEDICAL LIMITED

### Top 20 Holders

Rank	Name	Shares	% of Shares
1.	NATIONAL NOMINEES LIMITED	102,259,342	24.06
2.	ONE FUNDS MANAGEMENT LIMITED <ASIA PAC HEALTH FUND II A/C>	41,129,032	9.68
3.	CITICORP NOMINEES PTY LIMITED	22,613,124	5.32
4.	JP MORGAN NOMINEES AUSTRALIA LIMITED	22,470,785	5.29
5.	UBS NOMINEES PTY LTD	15,352,547	3.61
6.	ESTATE LATE JONATHAN P SCHWARTZ	7,016,129	1.65
7.	ATEQ INVESTMENTS PTY LTD	6,829,609	1.61
8.	MOORE FAMILY NOMINEE PTY LTD <MOORE FAMILY SUPER FUND A/C>	6,780,539	1.60
9.	PHILIP JOHN DIBBEN	5,000,000	1.18
10.	FATS PTY LTD <MACIB FAMILY A/C>	4,750,000	1.12
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,098,825	0.96
12.	TALICO OVERSEAS LIMITED	4,000,000	0.94
13.	FATS PTY LTD <MACIB SUPER FUND A/C>	3,764,926	0.89
14.	DR RUSSELL KAY HANCOCK	3,500,000	0.82
15.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,280,158	0.77
16.	MS SUSAN COLDICUTT	2,745,898	0.65
17.	MR NORMAN COLBURN MAYNE<N C MAYNE SUPER FUND A/C>	2,333,065	0.55
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,243,853	0.53
19.	MR NORMAN COLBURN MAYNE<N C MAYNE FAMILY FUND A/C>	2,000,000	0.47
20.	ROSSBEL PTY LIMITED <THE ROSSBEL A/C>	1,725,214	0.41
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>263,893,046</b>	<b>62.10</b>
<b>Total Remaining Holders Balance</b>		<b>161,056,967</b>	<b>37.90</b>



**ASIA PACIFIC**

*Avita Medical Asia Pacific  
(trading as Visiomed Group Ltd)*  
Suite G.01, 68 South Terrace  
South Perth WA 6151  
Tel: +61 8 9474 7738  
Fax: + 61 8 9474 7742  
sales.ap@avitamedical.com

**EUROPE, MIDDLE EAST AND AFRICA**

*Avita Medical Europe Ltd*  
Unit B1, Beech House  
Cambridge Road  
Melbourn Science Park  
Royston HERTS  
SG8 6HB  
United Kingdom  
Tel: +44 (0) 1763 269770  
Fax: +44 (0) 1763 269780  
sales.eu@avitamedical.com

**AMERICA**

*Avita Medical Americas LLC*  
9221 Corbin Ave  
Suite 220  
Northridge CA 91324  
United States of America  
Tel: +1 818 356 9400  
Fax: +1 818 356 9416  
sales.am@avitamedical.com