



AUSTOFIX GROUP LIMITED

APPENDIX 4C QUARTER TO 31 DECEMBER 2009 (Q2)

- **Product development expanded**
- **Export revenues grow**
- **Positive operating cash flow**

Summary

Austofix Group Limited (ASX: AYX) is pleased to report positive net operating cash flows for both the current quarter and the half-year to 31 December 2009.

Operating Activities

Total revenue for the first half-year was almost double the previous corresponding half-year, particularly in sales to domestic hospitals (309% increase) and new overseas distributors (289% increase).

Further inroads are being made within the Australian hospital sector. The growing range of Austofix products are gaining in sales. The company's pricing is attractive to customers seeking to provide both the highest standard of products for patients and at the same time manage health care costs.

Austofix is investing in extensions for the current product range, to augment the Hyperion hip, Tectona hip plate and H2 hip nail that are already in the market.

In addition to the Australian market, Austofix continues to build its overseas distribution. The first order from Dubai worth more than \$200,000 was shipped late in December. Meanwhile, negotiations to appoint additional overseas distributors, particularly in Europe and South America, are progressing with success. Further, sales to distributors appointed in the last 12 months are building, as these distributors pass through their local regulatory approval processes and gain customer acceptance.

Investing Activities

Austofix remains focused on directing funds to product development to drive revenue growth in proprietary products in a cost effective manner. The development program is progressing well and a number of new products are expected to be released over the next 6 to 12 months. \$557,000 was invested in research and development in the quarter, of which \$555,000 has been capitalised as development costs.



Financing Activities

The \$148,000 balance of the working capital finance facility with NAB owing at 30 September 2009 was repaid on 16 October 2009. The facility limit is \$700,000.

A new equipment finance facility of \$1,056,000 was established in December 2009 of which \$336,000 was drawn at that time. The balance of \$720,000 available under the facility will be used for the purchase of new plant and equipment in the second half-year.

Together with grant funding provided by the IIFSA for capital equipment purchases, these bank facilities will contribute ongoing funding for Austofix's growth.

About Austofix

Austofix is a publicly listed Australian orthopaedic company that designs, develops and distributes implants:

- to significantly improve the quality of life for patients who have suffered fractures and bone breakdown; and
- to help resolve the significant health care issues encountered in the treatment of fractures and bone breakdown.

Our markets are driven by Osteoporosis, Osteoarthritis and Obesity; together with the growing affluence of those afflicted by these conditions and their desire for full recovery from surgical procedures despite their advancing years.

There is considerable overlap in the products required to treat fractures and bone breakdown caused by these three prevalent conditions.

Austofix uses its skills in product design and commercialisation, its active interest in identifying new technologies and a close relationship with surgeons and research teams, to develop products that help patients to return to the freedom of their life before their accident or illness.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Austofix Group Limited

ABN

16 119 490 238

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from customers	1,363	1,704
1.2	Payments for		
	(a) staff costs	(477)	(947)
	(b) advertising and marketing	(91)	(145)
	(c) research and development	(2)	(11)
	(d) leased assets	(2)	(4)
	(e) other working capital	(494)	(825)
1.3	Dividends received	-	5
1.4	Interest and other items of a similar nature received	-	5
1.5	Interest and other costs of finance paid	(16)	(23)
1.6	Income taxes received	278	278
1.7	Export Market Development Grant received	24	24
	Net operating cash flows *	583	56

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	583	56
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property (capitalised product development)	(555)	(675)
(d) physical non-current assets	(6)	(7)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other – government grants received for acquisition of non-current assets	-	-
Net investing cash flows	(561)	(682)
1.14 Total operating and investing cash flows	22	(626)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	556	761
1.18 Repayment of borrowings	(374)	(450)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	182	311
Net increase (decrease) in cash held	204	(315)
1.21 Cash at beginning of quarter/year to date	85	604
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	289	289

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	62
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Directors fees	44
	Rent to related parties of directors	18

Non-cash financing and investing activities

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

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

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Financing facilities available

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

		Amount available \$A'000	Amount used \$A'000
3.1	Hire purchase facilities	117	117
	Bank loans secured on equipment	1,334	614
3.2	Bank working capital facility (secured)	700	-
	Total	2,151	731

+ See chapter 19 for defined terms.

Appendix 4C
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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	289	45
4.2 Deposits at call	-	40
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	289	85

Acquisitions and disposals of business entities

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

Compliance statement

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



Date: 29 JANUARY 2010

Print name: MARK BALNAVES
(Director)

+ See chapter 19 for defined terms.

Notes

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

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