

AUSTOFIX GROUP LIMITED

APPENDIX 4C QUARTER TO 30 JUNE 2010 (Q4)

- Product development continues
- Imminent market release of new hip products
- Manufacturing capacity increased
- Export distribution network grows

Summary

Austofix Group Limited (ASX: AYO) is pleased to report the receipt of additional approvals to sell products in Australia, a continued investment in R&D and increased sales through new international distributors.

Operating Activities

The Company recently appointed three more overseas distributors – in the UK and Ireland, the Czech Republic and Slovakia – as it pursues export growth. This brings to 16 the total number of overseas distributors, with ten appointed in the past year.

The UK/Ireland appointment resulted in an immediate pay-off with Austofix receiving an order from Lavender Medical for a number of products to fix and stabilise fractures – particularly Volar Radius Plates (VRP) for wrist fractures and Tectona Plates for hip fractures. Although small in number, we have already had repeat orders from Spain, South Africa and Turkey. We are encouraged by our products' acceptance in Spain following our official launch event at the Australian Embassy during the European Trauma Conference in Madrid in June 2010, which attracted 40 orthopaedic surgeons.

Austofix's total hip replacement products are currently in the final stages of production and will be launched into the Australian market during the first quarter of the new financial year. Entry to this \$250m Australian market comes at an opportune time. Austofix intends to provide at cost effective prices and in this way, help to relieve at least some of the financial pressure on the public system. Austofix has made a significant investment in hip stock in the quarter ended 30 June 2010.

Investing Activities

As a result of the expansion of distribution channels, the company is building capacity to ramp up production in the new financial year. With the valuable assistance of the Commonwealth and State Governments through the IIFSA funding program, and NAB through its equipment finance facility, further plant and equipment totaling \$467,000 was acquired during Q4.

In the quarter, \$180,000 was invested in the company's product development program, which is continuing to produce new products with several expected to be released over the next 6 to 12 months.

Financing Activities

The working capital finance facility with NAB was utilised periodically through the quarter, being drawn on a needs basis and subsequently repaid completely. As at 30 June 2010 it was drawn to the extent of \$126,000. The facility limit is \$700,000.

At the end of the previous quarter, 650,280 options over ordinary shares in the company were exercised, contributing \$130,056 to issued capital. 325,140 options were exercised in April 2010 contributing a further \$65,028.

During Q4 parties related to three of the directors contributed \$450,000 in debt funds which, subject to shareholder approval at the 2010 AGM, will be converted into 450,000 new fully paid ordinary shares at \$1.00 per share. These funds are to provide working capital to allow the Company to take advantage of certain growth opportunities that are currently available.

About Austofix

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

- significantly improve the quality of life for patients who have suffered fractures and bone breakdown; and
- 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.

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 quality of their lives 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")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from customers	563	2,822
1.2	Payments for		
	(a) staff costs	(484)	(1,897)
	(b) advertising and marketing	(38)	(217)
	(c) research and development	-	(11)
	(d) leased assets	(2)	(8)
	(e) other working capital	(463)	(1,483)
1.3	Dividends received	-	5
1.4	Interest and other items of a similar nature received	-	(71)
1.5	Interest and other costs of finance paid	(28)	278
1.6	Income taxes received	-	24
1.7	Export Market Development Grant received	-	
	Net operating cash flows *	(452)	(558)

+ 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 (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(452)	(558)
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)	(180)	(1,095)
(d) physical non-current assets	(467)	(943)
(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	415	533
Net investing cash flows	(232)	(1,505)
1.14 Total operating and investing cash flows	(684)	(2,063)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	65	195
1.16 Proceeds from issue of convertible notes	450	450
1.17 Proceeds from borrowings	1,293	2,499
1.18 Repayment of borrowings	(964)	(1,434)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	844	1,710
Net increase (decrease) in cash held	161	(352)
1.21 Cash at beginning of quarter/year to date	91	604
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	251	251

+ 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	47
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	30
	Rent to related parties of directors	17

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	16	16
	Bank lease purchase facilities	1,369	1,369
3.2	Bank working capital facility (secured)	700	126
	Shareholder loans (convertible to equity subject to the approval of members at the 2010 AGM)	450	450
	Total	2,535	1,961

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Appendix 4C
Quarterly report for entities
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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	251	91
4.2 Deposits at call	-	-
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	251	91

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:


 Print name: MARK BALNAVES
 (Director)

Date: 30 JULY 2010

+ 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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