

AUSTOFIX GROUP LIMITED

APPENDIX 4C QUARTER TO 31 DECEMBER 2010 (Q2)

Operating Activities

The income tax refund of \$619,000 in respect of the 2009-10 financial year was received in October 2010.

Components of the new total hip replacement system are steadily being received and it is anticipated that the remaining components will be brought in to the range during Q3. Customers are ready to start using the new products as they are available.

Further investments in hip stock and instruments were made in the quarter.

Investing Activities

Austofix continues to invest heavily in product development as it works towards the creation of new and improved products to add to our product portfolio. A further \$202,000 was invested in the quarter in product development.

Financing Activities

As announced to the ASX on 30 November 2010, the Company is seeking to raise a total of up to \$1.5 million by the issue of new fully paid ordinary shares at \$0.325 per share to eligible persons to fund working capital for the Company's new hip products.

As at the date of this notice the minimum requirement from that fund raising offer has been achieved; with over \$0.79 million cash received up to 31 January 2011, \$0.725 million of which is loans that convert to shares upon shareholder approval.

The fund raising offer period is scheduled to close on 31 January 2011.

\$0.45 million of previous loans were converted to ordinary shares upon receiving shareholder approval at the 2010 AGM of the Company in November.



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")

31 December 2010

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	449	931
1.2	Payments for		
	(a) staff costs	(540)	(987)
	(b) advertising and marketing	(17)	(38)
	(c) research and development	-	-
	(d) leased assets	(2)	(4)
	(e) other working capital	(614)	(924)
1.3	Dividends received	1	1
1.4	Interest and other items of a similar nature received	(50)	(79)
1.5	Interest and other costs of finance paid	619	619
1.6	Income taxes received	-	-
1.7	Export Market Development Grant received		
	Net operating cash flows	(154)	(481)

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)	(154)	(481)
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)	(202)	(402)
(d) physical non-current assets	(112)	(133)
(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	30	60
Net investing cash flows	(284)	(475)
1.14 Total operating and investing cash flows	(438)	(956)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	72	172
1.16 Proceeds from issue of convertible notes	725	725
1.17 Proceeds from borrowings	719	1,242
1.18 Repayment of borrowings	(853)	(1,059)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	663	1,080
Net increase (decrease) in cash held	226	124
1.21 Cash at beginning of quarter/year to date	149	251
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	375	375

+ 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	17
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	
	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	9	9
	Bank lease purchase facilities	1,201	1,201
3.2	Bank working capital facilities (secured)	980	380
	Bank insurance premium finance	8	8
	Shareholder loans (convertible to equity subject to the approval of members in a general meeting to be held in the first quarter of 2011)	725	725
	Total	2,923	2,323

+ See chapter 19 for defined terms.

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	375	149
4.2 Deposits at call	-	-
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	375	149

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: 31 JANUARY 2011

+ 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.

+ See chapter 19 for defined terms.