

AUSTOFIX GROUP LIMITED

APPENDIX 4C

QUARTER TO 30 JUNE 2011 Q4

Operating Activities

In the quarter ended 30 June 2011 operating activities in the cash flow reflect receipts from sales of Austofix trauma products, and expenses relating to these trauma sales. Other expenses include costs associated with the introduction of the Austofix range of total hip replacements. The final regulatory approval to sell the Austofix range of total hip replacements was received in late April 2011, as announced to the ASX on 28 April 2011.

Austofix hip replacements have been implanted across Australia, in limited numbers. As further stock and instruments are purchased by the Company it is expected that the sales of hip replacements will significantly increase.

Financing Activities

Austofix has approved bank facilities of \$1,025,000 of which \$414,000 was drawn as at 30 June 2011. The amount available to be drawn is dependent upon the levels of specific assets held.

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.

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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 2011

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 | 429 | 1,752 |
| 1.2 | Payments for | | |
| | (a) staff costs | (254) | (1,705) |
| | (b) advertising and marketing | (12) | (71) |
| | (c) research and development | - | - |
| | (d) leased assets | - | (4) |
| | (e) other working capital | (752) | (1,686) |
| 1.3 | Dividends received | - | 1 |
| 1.4 | Interest and other items of a similar nature received | - | 1 |
| 1.5 | Interest and other costs of finance paid | (22) | (117) |
| 1.6 | Income taxes received | - | 619 |
| 1.7 | Export Market Development Grant received | - | 24 |
| | Net operating cash flows | (611) | (1,187) |

+ 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 (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward) | (611) | (1,187) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | (437) |
| (b) equity investments | | |
| (c) intellectual property (capitalised product development) | | |
| (d) physical non-current assets | (21) | (179) |
| (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 | 41 | 142 |
| Net investing cash flows | 20 | (474) |
| 1.14 Total operating and investing cash flows | (591) | (1,661) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | - | 173 |
| 1.16 Proceeds from issue of convertible notes | 670 | 1,395 |
| 1.17 Proceeds from borrowings | 231 | 1,726 |
| 1.18 Repayment of borrowings | (298) | (1,778) |
| 1.19 Dividends paid | | |
| 1.20 Other (provide details if material) | | |
| Net financing cash flows | 603 | 1,516 |
| Net increase (decrease) in cash held | 12 | (145) |
| 1.21 Cash at beginning of quarter/year to date | 95 | 252 |
| 1.22 Exchange rate adjustments to item 1.20 | | |
| 1.23 Cash at end of quarter | 107 | 107 |

+ 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 | 23 |
| 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 | 23 |

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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| |
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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 | 5 | 5 |
| | Bank lease purchase facilities | 1,067 | 1,067 |
| 3.2 | Bank working capital facilities (secured) | 1,025 | 414 |
| | Bank insurance premium finance | - | - |
| | Shareholder loans (\$270K in loans and \$1,125K in loans convertible to equity subject to the approval of members in a general meeting to be held in the first half of 2012 and at the AGM in November 2011) | 1,395 | 1,395 |
| | Total | 3,492 | 2,881 |

+ See chapter 19 for defined terms.

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

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 | 107 | 95 |
| 4.2 Deposits at call | - | - |
| 4.3 Bank overdraft | | |
| 4.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.23) | 107 | 95 |

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 Date: 29 JULY 2011
 (Chairman)

+ 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.