

ASX ANNOUNCEMENT

STRONG SALES GROWTH FOR CELLMID IN FY2017

- **Consumer product sales up 49% for the 2017 financial year**
 - **Japanese profits up approx. 10-fold from FY2016**
- **Product sales through e-commerce commenced in the USA**

SYDNEY, Friday, 28 July 2017: Cellmid Limited (ASX: CDY) provides the following preliminary sales report and notes to the Appendix 4C for the last quarter of the 2017 financial year (FY2017).

Consumer product sales are up 49% for FY2017¹

Cellmid's wholly owned subsidiary, Advangen Limited, achieved record consumer product sales for FY2017 from its subsidiaries in Australia and Japan, with early sales through its e-commerce activities in the USA.

Total consumer product sales reached approximately **\$4.41 million** during the financial year, **up 49%** from the previous year's result of \$2.96 million, even with experiencing substantial head wind from currency exchange rates and a delay in the renewal of Chinese import permits.

As more than 60% of the total revenue was generated in Japan, the 18% depreciation of the Yen against the Australian Dollar during the reporting period had an impact on the AUD reported results. Even so, **Japanese profits increased approximately ten-fold** since last financial year after depreciation and amortisation but before tax (estimated at \$138K).

Sales commenced in the USA during the period via an e-commerce launch of the evol^{is}® REVERSE product range, with the remaining two product ranges manufactured and shipped in July and ready for sale from August 2017.

At the beginning of the 2017 financial year the company set out three key objectives; increase sales, improve profitability in Japan and develop and launch the new evol^{is}® branded global product range in the USA. These key business targets have been met during the financial year.

In the 2018 financial year the Company seeks to further increase sales in all existing channels, commence retail sales of its consumer products in the USA and improve profitability of the overall business.

¹ Unaudited sales results for the 2017 financial year subject to change due to exchange rate and other adjustments.

Notes to the Appendix 4C and operational update

Cellmid closed the fourth quarter of FY2017 with a cash balance of \$3.99 million, after repaying its \$212,000 Japanese bank loan facility.

Expenditure on manufacturing was higher than expected and includes the cost of production of 10 products for the evolis® Professional range for both the US and Australian salon markets. Quarterly expenses on research and development, advertising, staff and administration have been close to estimates provided in the previous Appendix 4C.

Cash receipts from customers were at \$1.14 million for the fourth quarter, down from \$1.47 million compared with the same period last financial year.

Cash receipts were lower than last year's for the same quarter due to the timing of the major sales day, the million-dollar day, for the Company's television shopping campaign in Japan. This financial year it was held in January and reported in the third quarter with sales of approximately 65 million Yen (FY2016: 40 million Yen, held in April 2016, reported in the fourth quarter).

Advangen Limited

“LOVE IS”, Advangen's US consumer experience study using the entire evolis® REVERSE system, was completed in June 2017 with 97 participants. Results are currently being analysed and expected to be released to the market before the end of August 2017. The study, the first of its kind for Advangen, was conducted with participants using the entire REVERSE range, including the REVERSE Activator, Shampoo and Conditioner.

This was important as the evolis® Professional products including REVERSE feature, in addition to Advangen's signature FGF5 inhibitor actives, antioxidants, essential oils and volumizing agents, which were expected to deliver additional anti-aging benefits to the hair. These potential benefits, together with hair loss and hair growth results, have been observed and reported by professional monitors as well as by participants over four months.

Manufacture of the entire evolis® Professional product range with REVERSE, PROMOTE and PREVENT was completed during the period. The first production lot of evolis® Professional REVERSE was shipped in late 2016 and formed the e-commerce launch in January 2017. Manufacture of the remaining two ranges, PROMOTE and PREVENT, commenced in March and the final production lot shipped to the US in July. The same products will be launched in salons in Australia.

Key to the success of the US retail strategy is the public relations campaign which continued during the reporting period with the engagement of influencers in health, fitness and beauty publications. The company's FGF5 inhibition hair loss technology was endorsed by a Mount Sinai Clinic dermatologist in InStyle magazine, the first cross-over between the health professional and beauty industry for evolis®.

In Japan, Advangen secured the lease for its first concept store. Following a lengthy competitive tendering process, the Company secured a lease in an outstanding location, Ginza Core Shopping Centre, in Tokyo. The concept store is expected to open in October 2017 and will build on the momentum of the FGF5 story introduced through the television shopping channel.

Loyalty customer numbers continue to increase in Japan and have exceeded 30,000 during the quarter. Mostly driven by the television shopping channel, the customer base purchasing products more than twice continues to grow.

Chinese import permit renewals for Jo-Ju® and Lexilis® are yet to be received. Import permits, which are due for renewal every three years, have not yet been received for the company's Japanese manufactured Jo-Ju™® and Lexilis® products. Once renewed, current wholesale orders can be shipped to China.

Australian sales were up 35% in the fourth quarter compared with the same period last year. This was largely the result of expanding pharmacy distribution and only included limited sales from salons and online. The new evoliss® REVERSE product range was released to selected salons only for testing. With the full evoliss® Professional range becoming available during the reporting period a commercial salon launch is planned for September 2017.

Lynamid and Kinera

Ground breaking publication in *Nature* for Lynamid's midkine technology during the reporting period. This paper, in the highest-ranking peer reviewed general science journal, described the results of a study showing for the first time that midkine, around which the Company holds extensive intellectual property rights, is a crucial agent in the promotion of melanoma metastasis.

This independent study published in *Nature* is highly significant for Cellmid for several reasons; it provides strong validation for Lynamid's cancer therapeutic and diagnostic programs, which use the Company's proprietary midkine antibodies. It also adds to the existing data on the prognostic value of detecting midkine in different cancer types, where elevated midkine levels in various tissues correspond with poor therapeutic outcomes. Finally, it significantly increases visibility and credibility of Cellmid's cancer therapeutic programs targeting midkine, which positions the Company well for funding and partnerships.

Research on Lynamid's and Kinera's research programs continued during the quarter, some with funding from a Commonwealth Government grant program, others through partnerships with research groups.

End

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

CELLMID LIMITED

ABN

69 111 304 119

Quarter ended ("current quarter")

30 JUNE 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 1,143 | 4,649 |
| 1.2 Payments for | | |
| (a) research and development | (401) | (1,642) |
| (b) product manufacturing and operating costs | (312) | (1,351) |
| (c) advertising and marketing | (504) | (2,060) |
| (d) leased assets | - | - |
| (e) staff costs | (619) | (2,662) |
| (f) administration and corporate costs | (437) | (1,768) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 20 | 49 |
| 1.5 Interest and other costs of finance paid | (2) | (9) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | 831 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,112) | (3,963) |

| | | |
|--|------|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (36) | (45) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|------------------------------------|---|
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | (36) | (45) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | 2,970 |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | 1,221 |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | (192) |
| 3.5 Proceeds from borrowings | - | 1,824 |
| 3.6 Repayment of borrowings | (212) | (429) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | (212) | 5,394 |

| | | |
|--|---------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 5,362 | 2,686 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (1,112) | (3,963) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (36) | (45) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | (212) | 5,394 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|------------------------------------|---|
| 4.5 | Effect of movement in exchange rates on cash held | (7) | (77) |
| 4.6 | Cash and cash equivalents at end of quarter | 3,995 | 3,995 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 3,995 | 5,362 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 3,995 | 5,362 |

| 6. | Payments to directors of the entity and their associates | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | 108 |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |
| NIL | | |

| 7. | Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 7.1 | Aggregate amount of payments to these parties included in item 1.2 | 52 |
| 7.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 | Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |
| NIL | | |

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | 2,367 | 2,367 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |
| <u>Australian Facilities</u> | | |
| Platinum Road | A\$2,000,000 | Interest Rate 12.00% Secured |
| <u>Japanese Facilities</u> | | |
| Keiyo Bank Ltd | JPY24,765,000 (A\$287,522) | Interest Rate 1.44% Unsecured |
| Chiba Bank Inc. | JPY6,872,000 (A\$79,261) | Interest Rate 2.10% Unsecured |

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Research and development | (360) |
| 9.2 Product manufacturing and operating costs | (100) |
| 9.3 Advertising and marketing | (300) |
| 9.4 Leased assets | - |
| 9.5 Staff costs | (650) |
| 9.6 Administration and corporate costs | (430) |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | (1,840) |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|--------------|-----------|
| 10.1 Name of entity | NIL | NIL |
| 10.2 Place of incorporation or registration | | |
| 10.3 Consideration for acquisition or disposal | | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(CEO / Managing Director)

Date: 28 July 2017

Print name: Maria Halasz

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.