

ASX ANNOUNCEMENT

CELLMID APPENDIX 4C – Q3 FY2021 BUSINESS ACTIVITY

Highlights for the quarter ending 31 March 2021

- **Well-funded to implement growth strategy:** Cellmid successfully completed a \$4.5 million capital raise in March, taking total cash reserves to around \$8.3 million after costs; well-funded to execute its ecommerce growth plans and manage orders under its Chinese distribution agreements.
- **Q3 sales up on pcp:** Consumer health sales are up 12% in Q3 on pcp, due to an increase in ecommerce sales on Cellmid's evolix branded platforms and through ecommerce retail partners.
- **Improved operating cashflow:** Net cash burn from operating activities was down to \$153K for the quarter; operating expenditure was also lower than pcp as staff and R&D costs as well as general operating expenses have been reduced.
- **On track for profitability in FY2022:** Cellmid remains on track to profitability in FY2022 with planned revenue growth in ecommerce, new distribution channels to China and new product launches.

SYDNEY, Friday 23 April 2021: Cellmid Limited (ASX: CDY) provides the following business activity report for Q3 FY2021.

Commentary on Q3 Cashflow

The underlying quarterly operating cash outflow reduced to \$1.7 million (down from \$2 million in Q2 FY2021 and down from \$3.3 million in Q3 FY2020). The cash balance as of 31 March 2021 was \$4.55 million, including \$646K R&D tax rebate from the ATO under the Research and Development Tax Incentive Scheme for the 2020 financial year.

On 31 March 2021 the Company completed an underwritten rights issue and raised a further \$4.5 million to boost its ecommerce capabilities, to provide adequate funding to manage the cash flow demands of its Chinese distribution agreements and for general working capital. Most of the net proceeds of the right issue, \$3.8 million, was received on 1 April 2021, bringing Cellmid's total cash balance to \$8.3 million immediately following the reporting period.

With this cash balance Cellmid is in a strong position to deliver on its revenue growth and profitability objectives for FY2022.

Related party payments totaling \$161K have been made during the quarter comprising of executive and non-executive directors' fees and salaries for the board members.

Advangen – Consumer Health Business

The consolidated consumer health revenue was up 12% in Q3 FY2021 to \$958K (Q3 FY2020: \$858K) and down 14% for the FY2021 financial year to date on pcp to \$3.9 million (FY2020: \$4.5 million) primarily due to the timing of sales in QVC Japan and the change in the distribution in China. As in previous years Q3 was the weakest sales period for the consumer health business with January and February being the slowest months, whilst Q4 is expected to be the best. The substantial fluctuation in the Company's monthly (and quarterly) revenues is expected to remain in the short term.

Japan

Consumer health sales in Japan were up 19% in Q3 FY2021 on pcp to \$674K (Q3 FY2020: \$565K) and down by 17% for the FY2021 financial year to date on pcp to \$2.6 million (FY2020: \$3.2 million). This was consistent with expectations as the QVC show schedule was amended to focus on one TSV (Today's Special Value) event instead of two.

As outlined in the Q2 FY2021 operations report, instead of the full day 'Today's Special Value' (TSV) event a shorter, three-hour show was presented in December 2020. The impact of this change will be that the Company's QVC margin over the financial year will improve and the TSV event in June is likely to be greater than in previous years. The next TSV event is scheduled for 16 June 2021 and is expected to deliver sales of around \$1 million.

In January 2021 Cellmid received the first order pursuant to its exclusive Chinese distribution agreement with Ourui Health Management (OHM) (ASX announcement, 14 December 2020). The first order was in line with the terms of the contract and included 84,672 units of Jo-Ju® shampoo and lotion (ASX announcement 25 January 2021). The first delivery was completed in February with the remaining products due to be shipped out at the end of April/early May depending on the availability of vessels.

Australia

Consumer health sales in Australia were up 7% in Q3 FY2021 on pcp to \$240K (Q3 FY2020: \$224K) and even for the FY2021 financial year to date on pcp at \$1.03 million. Online sales are improving, however the Australian pharmacy channel remains challenging. In response to the shift in channels staff changes have also been implemented.

Aeon International (Aeon), the Company's evolvis® distributor in China, made further orders in February to fully stock the branded T-mall international store. The six months advertising and marketing plan is well underway to generate user reviews and increase brand awareness and includes engagement of influencers.

Australian ecommerce performance (direct to consumer) continued to improve during Q3 FY2021. The Company experienced its best performance in March when the number of transactions was the highest ever. Approximately 20% of all sales originated

from Google ads, where cost per click and cost per conversion were both down significantly. Website traffic was up 6% in March, with the majority of new visitors (84%). Facebook continues to be challenging from a sales perspective, however traffic continued to increase during Q2 from this channel.

USA

Consumer health sales in the US were up 36% in Q3 FY2021 on pcp to \$133K (Q3 FY2020: \$98K) and down 9% for the FY2021 financial year to date to \$452K (FY2020: \$498K). The Company's ecommerce revenue increased during the quarter through online retailers Amazon and Dermstore. The retail environment in the US remains uncertain and prestige retail and salon sales continue to be negatively impacted by the COVID-19 pandemic. To align with these trends, we have reduced retail staff and refocused on improving logistics operations to service ecommerce retailers.

New product development

The Company has made significant progress in its new product development program with a hair loss supplement formulation completed and manufacturing and ecommerce launch on track for 1H FY2022. A range of new topical products specifically formulated for the Asian hair market, under the evoliss® brand, are also planned for manufacture and launch in 1H2022. In addition, the Company has commenced discussions with other brands for co-development of innovative products.

Changes in human resources

Advangen Inc (Japan)

Advangen Japan Country Manager/Managing Director, Ko Koike retired on 31 March 2021. Mr Koike served Cellmid in his role since 2014 and under his leadership the Company's Japanese business became profitable, while sales increased four-fold. He will remain with the Japanese business as a consultant for a transitional period. The Board of Cellmid wishes to thank Mr Koike for his outstanding service to the Company and wishes him well in his retirement.

Teruko Fujii was appointed Country Manager/Managing Director in Japan on 1 April 2021. Ms Fujii previously was, amongst her other relevant experience, President of Galderma Japan and Senior Director of Nestle Skin Care, APAC. Educated at the University of Technology in Sydney, and a Japanese national with broad Asia Pacific work experience, Ms Fujii brings strong business development and marketing capabilities to Cellmid's Japanese business.

Advangen International (Australia)

As part of a strong strategic shift to ecommerce several new appointments have been made to the Company's digital marketing and ecommerce team during Q3 FY2021. Previously outsourced, capabilities such as performance marketing, social and digital activities, creative content and web development have been brought inhouse through these new appointments.

The expanded digital team is currently working on new ecommerce platforms for Australia and the USA, due to be launched in Q1 FY2022. A new Japanese ecommerce site is planned to follow at a later stage in FY2022. These new platforms are expected to contribute to the Company's planned growth during FY2022 and beyond.

Advangen LLC (USA)

Brian McGee, CEO of Cellmid's US consumer health operations resigned at the end of February 2021. Brian has not been replaced due to the shift in focus in the US business; away from prestige and salon retail to ecommerce, which is centrally managed from the Company's Australian head office. The Board wishes to thank Brian for his contribution to the business.

Lyramid

Several new publications have been released during Q3 FY2021 by independent researchers supporting the role of midkine in cancer and inflammatory diseases. This in turn provided further impetus to the Company's negotiations to divest from the substantial intellectual property assets held around midkine. The Company is committed to deliver optimum value to shareholders from this program, which may include a cash payment and a share in any future development upside.

Approved for release by the Board of Directors.

End

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Cellmid Limited (ASX: CDY)

Cellmid is a health and beauty-tech business growing shareholder value through the global distribution and sales of its proprietary brands of differentiated, clinically validated anti-aging solutions. Advangen Limited is Cellmid's wholly owned subsidiary engaged in the development and sale of first in class, best in class, clinically validated anti-aging products for hair, skin and body. For further information, please see www.cellmid.com.au and www.evolisproducts.com.au.

Forward looking statements

This announcement may have forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks that may cause the actual results, performance or achievements of Cellmid to be materially different from the statements in this announcement. Actual results could differ materially depending on factors such as the availability of resources, regulatory environment, the results of marketing and sales activities and competition.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity
CELLMID LIMITED
ABN
69 111 304 119
Quarter ended ("current quarter")
31 MARCH 2021

Consolidated statement of cash flows	Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,549	5,033
1.2 Payments for		
(a) research and development	(31)	(142)
(b) product manufacturing and operating costs	(628)	(1,178)
(c) advertising and marketing	(172)	(627)
(d) leased assets	-	-
(e) staff costs	(831)	(2,557)
(f) administration and corporate costs	(636)	(2,036)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	19
1.5 Interest and other costs of finance paid	(18)	(42)
1.6 Income taxes paid	(36)	(36)
1.7 Government grants and tax incentives	646	812
1.8 Other (IKON settlement)	-	(1,407)
1.9 Net cash from / (used in) operating activities	(153)	(2,161)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(9)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(6)	(9)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	389	389
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings & leasing	(161)	(504)
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	228	(115)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,551	6,970
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(153)	(2,161)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(9)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	228	(115)
4.5	Effect of movement in exchange rates on cash held	(53)	(118)
4.6	Cash and cash equivalents at end of period	4,567	4,567

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	4,431	4,415
5.2	Call deposits	136	136
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)	4,567	4,551

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	137
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	945	945
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	945	945
7.5	Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p><u>Japan</u> Unsecured 10 year loan with Keiyo Bank; \$919,530 (JPY 77.5M) at 1.20% - 1.50% p.a with various maturity dates:</p> <ul style="list-style-type: none"> • JPY 14.0M – 25 September 2024 • JPY 28.6M – 25 March 2025 • JPY 25.9M – 12 March 2028 • JPY 9.0M – no specific maturity date <p><u>Australia</u> Insurance Premium Funding with Attest Finance Pty Ltd; \$25,054 at 4.61% payable by 30 April 2021.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(153)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,567
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,567
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	29.8
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date:23 April 2021.....

Authorised by: **Audit Committee – Cellmid Limited**.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.