

**ASX ANNOUNCEMENT**

**NOTES TO APPENDIX 4C AND OPERATIONAL UPDATE**

**SYDNEY, Wednesday, 27 January 2016: Cellmid Limited (ASX: CDY)** provides the following Notes to the Appendix 4C and Operational Update.

Cellmid closed the second quarter of FY2016 in a strong financial position with just over \$4.5 million in cash. Reporting solid cash receipts from customers of \$713K for 2Q2016, up by 131% compared with the same period last year (\$308K in 2Q2015). Total sales are at \$657K, up by 115% compared with the same period last year (\$305K in 2Q2015).

The Company's research and development spending of \$515K reflected the completion of the antibody cell line development, the manufacture of GMP-like CAB102 for preclinical toxicity studies, and commencement of the glioblastoma studies with Complutense University.

**Operational Update**

Consumer Health Division

Cellmid has continued to implement its business development, marketing and advertising initiatives in Australia, Japan, USA and China.

**Australia**

- Pharmacy distribution reached 997 stores by the end of 2Q2016. This is a strong result, and will require the full pharmacy sales team to service in the coming months. In order to optimise repeat orders we are looking to either expand the distribution to the original target of 2000 stores, or increase the sell through in the current network of just under 1,000 stores. Ranging of the extended six SKU (stock keeping unit) évolis® product range has increased to approximately 520 stores during the quarter, and stocking in the new stores is expected to coincide with the new advertising campaign starting in February 2016.
- The pharmacy sales team started in mid-October with visiting stockists nationally. Whilst this facilitated the sell through in stores, the team has identified gaps between ranging and actual stocking in some of the key buying groups. One of the ongoing tasks of the team will be to ensure that those ranging évolis® will have stock on hand in stores.
- The initial national advertising campaign, **Long Live Hair**, between September and November focused on building brand awareness for évolis®. The new campaign, **12-week challenge to better hair**, will commence in February 2016, and is expected to drive sales both on the Company's website and in stores. It will include TV, print, social and digital advertising over two months; encouraging customers to use évolis® for 12 weeks to see results.

- Manufacture of the évolis® branded salon range has commenced and a launch is planned for 4Q2016. The range of 13 products will be positioned as anti-aging hair care using antioxidant natural extracts to enhance performance, in addition to the FGF5 inhibitors. The salon range is expected to contribute approximately half of all the Company's sales once the target 400 salons are ranged.

## Japan

- Cellmid's Japanese sales remain strong and are in line with targets for the 2016 financial year. QVC (television shopping channel) delivered the largest percentage of the sales, followed by the salon market.
- Planning for an évolis® concept store in Tokyo commenced with a launch expected for late CY2016. The concept store will be the first entrée for the évolis® brand into the Japanese market, and will emphasise the qualities associated with Australian products; pristine origin, performance and functionality.

## USA

- Solid progress has been made in the USA during the quarter as the Company commenced preparations for market entry around the second half of CY2016. Regulatory and trademark filings for évolis® branded products and USA manufacturing are well advanced and expected to be completed during FY2016.
- Several distribution opportunities are currently being assessed by the Company to optimise entry to the USA market.

## China

- Regulatory filings for the évolis® branded lotions and shampoos have been completed with the SFDA (Chinese Food and Drug Administration) for the two-stage application process. Products for regulatory testing have been shipped and, once approved, the import permit applications will be activated.
- Negotiations are ongoing with several pharma and distribution companies for the selling of évolis® branded, Australian manufactured products in China. This would eventually replace other brands currently marketed in China by Cellmid.

## Midkine Division

Cellmid has been actively reviewing its clinical opportunities within this asset portfolio, as new research has recently uncovered novel areas for commercialisation. Specific milestones achieved during the quarter are as follows:

- The preclinical collaboration with Complutense University of Madrid, Spain was initiated with *in vitro* studies, testing multiple combinations of CAB102 with and without other agents on glioblastoma cell cultures.
- The Company's CAB102 cell line development has been completed and yielded a substantial amount of GMP-like drug product suitable for further pre-clinical and toxicity testing.



- Stability testing of the CAB102 drug product has been completed.
- Additional midkine diagnostic projects continued to deliver valuable human data in cancer, kidney disease and exercise physiology during the quarter validating existing collaborations and new license opportunities.

End

Contact:

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

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

Name of entity

Cellmid Limited

ABN

69 111 304 119

Quarter ended ("current quarter")

31 December 2015

### 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	713	1,735
1.2 Payments for		
(a) staff costs	(504)	(1,015)
(b) advertising & marketing	(511)	(862)
(c) research & development	(515)	(1,123)
(d) leased assets	-	-
(e) other working capital	(374)	(868)
1.3 Dividends received	-	
1.4 Interest and other items of a similar nature received	12	22
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes paid	(11)	(11)
1.7 Other - R&D Tax Concession	1,122	1,122
<b>Net operating cash flows</b>	<b>(71)</b>	<b>(1,005)</b>

+ 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 (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(71)	(1,005)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	0	0
(b) equity investments	0	0
(c) intellectual property	0	0
(d) physical non-current assets	0	(10)
(e) other non-current assets	0	0
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	0	0
(b) equity investments	0	0
(c) intellectual property	0	0
(d) physical non-current assets	0	0
(e) other non-current assets	0	0
1.11 Loans to other entities	0	0
1.12 Loans repaid by other entities	0	0
1.13 Other (provide details if material)	0	0
<b>Net investing cash flows</b>	0	(10)
<b>1.14 Total operating and investing cash flows</b>	(71)	(1,015)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	(46)	3,726
1.16 Proceeds from sale of forfeited shares	0	0
1.17 Proceeds from borrowings	228	228
1.18 Repayment of borrowings	(5)	(8)
1.19 Dividends paid	0	0
1.20 Other (provide details if material)	0	0
<b>Net financing cash flows</b>	177	3,946
<b>Net increase (decrease) in cash held</b>	106	2,931
1.21 Cash at beginning of quarter/year to date	4,408	1,583
1.22 Exchange rate adjustments to item 1.20	11	11
<b>1.23 Cash at end of quarter</b>	4,525	4,525

+ 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	44
1.25	Aggregate amount of loans to the parties included in item 1.11	0

1.26 Explanation necessary for an understanding of the transactions

The amount disclosed is all payments made to directors and related parties during the quarter. The full amount is included in 1.2(a).

**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

NIL

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

NIL

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,320	1,320
3.2	Credit standby arrangements	N/A	N/A

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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	4,525	4,408
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
<b>Total: cash at end of quarter (item 1.23)</b>	<b>4,525</b>	<b>4,408</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for Acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

**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 give a true and fair view of the matters disclosed.



Sign here:

(Director/Company secretary)

Date: 27 January 2016

Print name: Maria Halasz

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## 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 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting 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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