

CELLMID LIMITED

Appendix 4E

Preliminary final report

Details of reporting period

ABN or equivalent company reference	69 111 304 119
Financial year end ("current period")	30 June 2017
Previous corresponding period	30 June 2016

Results for announcement to market

Financial Results				June 2017 \$
Revenue from Consumer Health	Up	50.30%	to	4,453,208
Revenue and other income	Up	20.58%	to	5,560,121
(Loss) after tax attributable to members	Up	27.77%	to	(4,470,136)
Net loss attributable to members	Up	27.77%	to	(4,470,136)

Dividends
The Directors do not propose that Cellmid Limited will pay a dividend.

Earnings/(loss) per share	June 2017	June 2016
Basic and diluted loss per ordinary share	(0.44) cents	(0.38) cents

Net tangible asset backing	June 2017	June 2016
Net tangible asset backing per ordinary share	0.24 cents	0.27 cents

Other explanatory notes
Revenue for the Group increased 44% to \$4,496,338 (2016: \$3,120,367) during the reporting period, with a 50% increase in Consumer Health revenue (Japan and Australia) to \$4,453,208 (2016: \$2,962,306). The significant increase in Consumer Health revenue was the result of growing pharmacy distribution in Australia and increasing television shopping channel sales in Japan. Consolidated loss was up 27% to \$4,470,136 after providing for income tax (2016: \$3,498,916 loss). The increase was primarily due to the investment made in the US, which included product and brand development as well as manufacturing costs incurred in preparation for the launch of the evolix® Professional range of FGF5 inhibitor hair loss products. An R&D tax credit of \$831,408 was received during the reporting period (2016: \$1,121,562) in addition to the total revenue. For further information refer to the review of operations and financial performance contained in the Director's Report.

Audit
The financial statements on which this preliminary financial report is based has been audited.

The information required by listing rule 4.3A is contained in both this Appendix 4E and the attached Annual Report.

Cellmid Limited

ABN 69 111 304 119

Financial Report

For the Year Ended 30 June 2017

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The Directors present their report, together with the financial statements of the Group, being Cellmid Limited (“the Company”) and the entities it controlled, for the financial year ended 30 June 2017.

1. GENERAL INFORMATION

Information on Directors

The names, qualifications, experience and special responsibilities of each person who has been a Director during the year and to the date of this report are:

Dr David King	Chairman (Non-executive)
Qualifications	PhD in Seismology, Australian National University, Fellow of The Australian Institute of Company Directors, Fellow of the Australian Institute of Geoscientists
Experience	Experience as Chairman, Executive and Non-executive Director in high growth companies, across a variety of sectors, and particularly in governance issues in publicly listed companies.
Interest in shares and options	Shares: 24,000,000 indirectly held Options: 4,000,000 (Expiry: 19 November 2018, exercisable at \$0.06 each) indirectly held
Special responsibilities	Member of the Audit Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	Current directorships - Litigation Capital Management Ltd, Galilee Energy Limited and African Petroleum Corporation. Previous directorships – Robust Resources Limited, Republic Gold Limited and Tengri Resources Limited
Ms Maria Halasz	Managing Director (Chief Executive Officer)
Qualifications	MBA, BSc in Microbiology, University of Western Australia, Graduate of the Australian Institute of Company Directors
Experience	23 years experience in biotechnology working in executive positions in private and public biotechnology firms, then managing investment funds and later holding senior positions in corporate finance specialising in life sciences.
Interest in shares and options	Shares: 4,000,000 directly held Shares: 8,000,000 directly held (escrowed) Shares: 13,073,025 indirectly held
Special responsibilities	Managing Director and Chief Executive Officer
Other directorships in listed entities held in the previous three years	None

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Mr Bruce Gordon	Director (Non-executive)
Qualifications	BA, Macquarie University, Fellow of The Institute of Chartered Accountants Australia and New Zealand, Fellow of The Australian Institute of Company Directors
Experience	An audit and corporate finance specialist, and an experienced finance professional with a career spanning more than 35 years advising and providing financial services to private and publicly listed companies as well as subsidiaries of large multinationals.
Interest in shares and options	Shares: 1,500,000 indirectly held Options: 2,000,000 (Expiry: 19 November 2018, exercisable at \$0.06 each) indirectly held
Special responsibilities	Chairman of the Audit Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None
Other	Former partner of BDO East Coast Partnership, resigned on 30 June 2014. Both Cellmid Limited and BDO East Coast Partnership have confirmed that Mr Gordon's appointment satisfies the independence requirements of the Corporations Act.

Dr Fintan Walton	Director (Non-executive)
Qualifications	PhD, Genetics, Trinity College Dublin
Experience	Founder and CEO of PharmaVentures Ltd, a UK based corporate advisory firm that provides advice on all aspects of corporate transactions, business brokering, mergers and acquisitions and licensing deals to a diversified global network.
Interest in shares and options	Shares: 800,000 directly held Options: 2,000,000 (Expiry: 19 November 2018, exercisable at \$0.06 each) directly held
Special responsibilities	Member of the Audit Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Mr Raymond Ting	Appointed 1 May 2017
Qualifications	B.Com, University of Western Australia, Graduate Diploma of Applied Corporate Governance, Member of The Institute of Chartered Accountants Australia and New Zealand.
Experience	A Chartered Accountant and Company Secretary with accounting and secretarial experience in public listed companies, unlisted property fund managers, property developers, multi-national engineering firms and large private companies.
Mrs Aliceson Rourke	Ceased 1 May 2017
Qualifications	B.Com, University of Wollongong, Graduate Diploma of Applied Corporate Governance, Member of The Institute of Chartered Accountants Australia and New Zealand.
Experience	Experienced Chartered Accountant and Company Secretary. Extensive experience in all aspects of public company finance, administration and governance including listings on the Australian Stock Exchange, public capital raisings, and capital restructures, mergers and acquisitions.

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year were:

- Midkine Business: The development and commercialisation of diagnostic and therapeutic products for the management of diseases such as cancer and various chronic inflammatory conditions by targeting midkine (Lyramid Limited and Kinera Limited); and
- Consumer Health Business: The development and sale of over-the-counter (OTC) and cosmetic treatments to alleviate excessive and abnormal hairloss and re-establish the natural hair growth cycle (Advangen Limited)

There were no significant changes in the nature of the Group's principal activities during the financial year.

2. OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR**Operating results**

Revenue for the Group increased 44% to \$4,496,338 (2016: \$3,120,367) during the reporting period, with a 50% increase in Consumer Health revenue (Japan and Australia) to \$4,453,208 (2016: \$2,962,306). Consolidated loss was up 27% to \$4,470,136 after providing for income tax (2016: \$3,498,916 loss). The increase was primarily due to the investment made in the US, which included product and brand development as well as manufacturing costs incurred in preparation for the launch of the evoliss® Professional range of FGF5 inhibitor hair loss products. An R&D tax credit of \$831,408 was received during the reporting period (2016: \$1,121,562).

Review of operations

The Group achieved several major commercial milestones during FY2017 for the Consumer Health Business (Advangen Limited) in Australia and Japan and launched its evoliss® Professional range in the USA. In Australia, the focus remained on its retail and online businesses increasing its pharmacy and online sales. In Japan, the Group's sales in television shopping channel QVC continued to increase and preparations commenced for the opening of the first Advangen concept store in Tokyo. In the USA the Group signed a distribution partnership and completed brand development and product launch of its evoliss® Professional range during the period.

The Group's Midkine Business, Lyramid Limited and Kinera Limited, continued the preclinical development programs and demonstrated efficacy in several new disease models. Importantly, the Group has increased its key opinion leader network and its intellectual property was the subject of a publication in *Nature*, the highest ranked scientific journal. In addition to receiving the R&D tax credit of \$831,408 the Group had an Innovation Connections grant awarded to the value of \$100,000 by the Federal Government for its research into chronic kidney disease, and secured funding for preclinical studies in myocardial infarct with an R&D loan from Platinum Road during the period.

i. Consumer Health Business (Advangen Limited or Advangen)

The Consumer Health Business was set up to commercialise over the counter hair growth products based on the FGF5 inhibition technology developed by Advangen Inc. (Japan). Following the acquisition of Advangen Inc. (Japan) in May 2013, the Group became the owner of global rights for the technology and has since rebranded and launched new products in Australia and the USA, while continuing to achieve double digit sales growth in Japan.

USA brand development and launch of evoliss® Professional

The Group signed a distribution partnership agreement with Colour Collective, a specialist in premium hair product launches in the US, in July 2016. The partnership resulted in the development and branding of the Group's global FGF5 inhibitor product ranges, evoliss® Professional. The Group completed a US business plan, which targets revenue from three main sales channels; traditional premium retail, hair salons and e-commerce.

A comprehensive public relations campaign was executed by the Group in preparation for the premium retail launch of evoliss® Professional resulting in exposure in major trade, beauty and fashion publications and reviews by social influencers. The Group has also designed and enrolled a consumer experience study. This was the first study ever to

assess the performance of the evol^{is}® Professional range, where subjects used the shampoo, conditioner and activator together.

Following the development of the evol^{is}® Professional global ranges the Group completed manufacture and shipped the products to the US. The first range, REVERSE, was shipped and launched in December 2016 with e-commerce sales. Manufacturing of the two other ranges, PROMOTE and PREVENT, was completed and the products were shipped to the US in June 2017.

The Group commenced its outreach to top tier retailers during the period and secured placement with Neiman Marcus after the close of the 2017 financial year.

Japanese sales increased with record television shopping results

In Japan the Group's sales increased significantly as a result of several television shopping campaigns and broadening retail channels. Preparations continued during FY2017 for the opening of the first Advangen concept store with expected official open on track for the second quarter of FY2018.

Australian distribution and sales increased during FY2017

The Group's focus in Australia remained the growing of the pharmacy distribution and e-commerce sales. Both of these have been achieved with around 1,200 pharmacy doors core ranging the evol^{is}® products, including the Active Packs. Just under 2,000 pharmacies are stocking some or all of the evol^{is}® products in Australia. The Group has also grown its e-commerce sales which account for around 20% of total Australian sales for the period.

Advangen continued to be involved in selective negotiations with groups outside the core markets of Australia, Japan and the USA during FY2017 with focus on maintaining gross margins across all regions.

ii. Midkine Business (Lynamid Limited and Kinera Limited)

Progress in preclinical product development

The Group runs its midkine product development programs in two wholly owned subsidiary companies, Lynamid Limited (Lynamid) and Kinera Limited (Kinera). Lynamid is responsible for the commercialisation of the Group's anti-MK antibody portfolio with a focus on inflammatory conditions, fibrosis and cancer. Kinera is focused on developing therapeutics for ischemic conditions of the heart and brain.

Lynamid Limited (Lynamid)

The Group's collaboration with Complutense University continued during the reporting period showing that Lynamid's anti-midkine antibodies were effective in improving THC (tetrahydrocannabinol, a cannabis derived drug) treatment response in animal models of resistant glioblastoma multiforme. Lynamid's cancer portfolio was further boosted with a publication in *Nature*, the highest ranking scientific journal, demonstrating the crucial role of midkine in metastatic melanoma.

Lynamid was awarded an Innovation Connections Grant for \$100,000 in January 2017 from the Australian Government for the further assessment of the midkine-antibodies in the treatment of chronic kidney disease. These studies will build on the results of the previous experiments conducted at the Westmead Institute and are expected to be delivered over two years.

The Group's diagnostic licensee, Pacific Edge Limited, continued to make significant progress towards commercialisation of their CxBladder® bladder cancer tests during the reporting period. They have broadened reimbursement for the tests through the US Veteran's Administration and Tricare Healthplan Networks and expanded utility of the tests for monitoring recurrence of bladder cancer.

Kinera Limited (Kinera)

The Group secured \$2 million in research and development funding for its ischemia program with a two-year loan facility on 1 March 2016. The facility allowed the cardiac and brain ischemia programs to progress towards the clinic. In preparation for the large animal validation studies the Group secured new GMP manufactured midkine during the 2017 financial year.

Intellectual property

The Group has a large and valuable patent portfolio which consists of 56 patents across 13 patent families. Of these, 46 patents have been granted, 8 filed or under examination and two in PCT (Patent Cooperation Treaty). The Group has received two new grants during the reporting period and one new patent was filed. The US patent office granted the Group's application for its MK patent for the treatment of hair loss in January 2017. The Group's European patent entitled "Preventative for Adhesion Following Abdominal Surgery" was granted in September 2016.

Significant publications

The Group had two significant publications of its technologies during the reporting period.

The results of the clinical study conducted with the Group's FGF5 inhibitors was published in March 2017 in the journal *Clinical, Cosmetic and Investigational Dermatology*. The paper was entitled "*Promotion of Anagen, increased Hair Density and Reduction of Hair Fall in a Clinical Setting Following Identification of FGF5 Inhibiting Compounds via a Novel Two Stage Process*".

The Group's intellectual property was also the subject of a publication in *Nature* in June 2017 in a paper entitled "*Whole-body imaging of lymphovascular niches identifies premetastatic roles of midkine*". This article added to the significant body of evidence on midkine's role in cancer metastasis increasing the value of the Group's intellectual property underpinning the findings.

Update on the Ikon legal action

On 22 July 2016, the Group announced that Ikon Communications Pty Ltd (Ikon) had filed a claim for \$939,055 pursuant to the services agreement entered into between Advangen International Pty Ltd (Advangen) and Ikon on the 15 June 2015. Advangen continued to vigorously defend its position that Ikon has breached the services agreement, failed to provide certain services at all or adequately and engaged in misleading and dishonest conduct that has caused the Group loss and damage. The Group filed a cross claim for payments made for services not provided or not properly provided by Ikon and submitted evidence to that effect during the reporting period. The Group is currently in the process of engaging expert witnesses in support of its position.

3. FINANCIAL REVIEW**Financial position**

The net assets of the Group at 30 June 2017 were \$4,395,044 (\$4,690,050 at 30 June 2016) while current assets increased to \$6,562,302 (\$5,131,104 at 30 June 2016). The Directors believe that the Group is in a stable financial position in order to carry out its current operations.

4. OTHER ITEMS**Significant changes in state of affairs**

There have been no significant changes in the state of affairs of the entities in the Group during the 2017 financial year.

Dividends paid or recommended

The Company has not paid or declared any dividends during the financial year (2016: Nil).

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Events since the end of the financial year

There have been no significant events since the closing of the 2017 financial year.

Likely developments and expected results of operations

The Group is focused on developing both its Consumer Health and Midkine businesses in the coming year. Maximizing market penetration for the Groups' FGF5 inhibitor hair loss products in Australia and internationally will be the focus of the Consumer Health business. The Group will also continue to progress its midkine assets in its dedicated wholly owned subsidiaries, Lyramid and Kinera.

Environmental regulations

The Group's operations are not regulated by any significant environmental law of the Commonwealth or of a state or territory of Australia or Japan.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium to insure the Directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that maybe brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities (other than legal costs) that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During or since the end of the financial year, the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in favour of its Directors as follows:

- a right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- subject to the Corporations Act 2001, an indemnity in respect of liability to persons other than the Company and its related bodies corporate, that they may incur while acting in their capacity as an officer of the Company or a related body corporate, except for specified liabilities where that liability involves a lack of good faith or is for legal costs for defending certain legal proceedings; and
- the requirement that the Group maintain appropriate directors' and officers' insurance for the officer.

No liability has arisen under these indemnities as at the date of the report.

There is no indemnity cover in favour of the auditor of the Group during the financial year.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important and relevant where the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board. There were no additional services provided by BDO during the year.

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Meetings of Directors

Five meetings of the Directors were held during the financial year. Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit Committee		Nomination and Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr David King	5	5	4	4	-	-
Ms Maria Halasz	5	5	-	4*	-	-
Mr Bruce Gordon	5	5	4	4	-	-
Dr Fintan Walton	5	5	4	4	-	-

* by invitation

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

	Expiry date	Exercise Price	Number under option
Unlisted options	14 August 2017	\$ 0.034	1,440,000
Unlisted options	1 August 2018	\$ 0.040	4,000,000
Unlisted options	1 August 2018	\$ 0.050	4,000,000
Unlisted options	1 August 2018	\$ 0.060	10,000,000
Unlisted options	19 November 2018	\$ 0.060	11,500,000
Unlisted options	19 November 2018	\$ 0.031	500,000
Unlisted options	1 July 2020	\$ 0.030	1,000,000
Unlisted options	31 October 2019	\$ 0.030	2,000,000
			34,440,000

36,366,503 shares were issued on the exercise of options during the financial year ended 30 June 2017. No further shares have been issued on exercise of options since 30 June 2017.

8,000,000 shares are vested and held in escrow at 30 June 2017 (12,000,000 held in escrow in 2016). 263,148,229 options lapsed during the financial year ended 30 June 2017 (600,000 in 2016).

5. REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration agreements for the Group in accordance with the requirements of the Corporations Act 2001 and its regulations.

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

The key management personnel of the Group for the year consisted of the following Directors of Cellmid Limited:

Name of Director	Position	Date Appointed	Date Ceased
Dr David King	Non-executive Chairman	18 January 2008	Current
Mr Bruce Gordon	Non-executive Director	1 July 2015	Current
Dr Fintan Walton	Non-executive Director	21 July 2015	Current
Ms Maria Halasz	CEO and Managing Director	14 April 2007	Current

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Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its directors and executives.

To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives; and
- establish appropriate performance hurdles in relation to variable executive remuneration.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers of the Group on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Group performance and link to remuneration

No performance based bonus or incentive payments are in place, however Maria Halasz had loan shares that were conditional on key milestones being achieved.

The table below details the last five years earnings and total shareholders return.

	\$ 2017	\$ 2016	\$ 2015	\$ 2014	\$ 2013
Revenue	4,722,606	3,388,902	1,969,363	1,150,931	541,649
EBITDA	(4,058,175)	(3,169,853)	(3,202,134)	(2,165,345)	(2,341,372)
EBIT	(4,434,539)	(3,331,466)	(3,333,472)	(2,277,485)	(2,358,006)
Loss after income tax	(4,470,136)	(3,498,916)	(3,337,348)	(1,480,836)	(1,541,307)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	\$ 2017	\$ 2016	\$ 2015	\$ 2014	\$ 2013
Share price at financial year end	0.025	0.03	0.03	0.02	0.02
Total dividends declared	-	-	-	-	-
Basic earnings per share	(0.44)	(0.38)	(0.43)	(0.21)	(0.27)

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, while incurring costs that are acceptable to shareholders.

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Structure

Each Non-executive director receives a fixed fee for being a Director of the Group.

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of Non-executive directors shall be determined from time to time by a general meeting of shareholders. At the general meeting of shareholders in 2005, the maximum amount was set at \$300,000 per annum. In 2017, the Group paid Non-executive directors a total of \$171,175 (\$222,757 in 2016).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to directors are reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the review.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

A policy of the Board is the establishment of employment or consulting contracts with the Chief Executive Officer and other senior executives. Remuneration consists of fixed remuneration under an employment or consultancy agreement and may include long term equity-based incentives that are subject to satisfaction of performance conditions. Details of these performance conditions are outlined in the equity based payments section of this remuneration report. The equity-based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Group-wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and expense payment plans, such that the manner of payment chosen is optimal for the recipient without creating additional cost for the Group.

Remuneration policy and performance

None of the executive's remuneration is at risk' remuneration as at 30 June 2017.

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Remuneration details for the year ended 30 June 2017

Details of the remuneration of the directors and key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and the highest paid executives of Cellmid are set out in the following tables.

2017	Short-term benefits		Long-term benefits	Post-employment benefits	Share based payments	Total
	Cash salary fees	Employee entitlements	Employee entitlements	Superannuation	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Non-executive directors						
David King	65,000	-	-	6,175	-	71,175
Bruce Gordon	50,000	-	-	-	-	50,000
Fintan Walton	50,000	-	-	-	-	50,000
Total non-executive directors	165,000	-	-	6,175	-	171,175
Executive directors and key management						
Maria Halasz*	428,538	18,457	4,470	22,800	(52,781) [^]	421,484
	593,538	18,457	4,470	28,975	(52,781)	592,659

*Amount includes consulting fees paid to Direct Capital Group Pty Ltd. Ms Halasz is also the director of Direct Capital Group Pty Ltd ("DCG") who provides consulting services to the Group. The contract between the Group and DCG is based on normal commercial terms. Refer to below for further details.

[^]The negative share based payment is due to a reversal of share based payment previously recognised. Refer to equity based compensation for details.

2016	Short-term benefits		Long-term benefits	Post-employment benefits	Share based payments	Total
	Cash salary fees	Employee entitlements	Employee entitlements	Superannuation	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Non-executive directors						
David King	65,000	-	-	6,175	27,200	98,375
Bruce Gordon	50,000	-	-	-	13,600	63,600
Fintan Walton	47,182	-	-	-	13,600	60,782
Total non-executive directors	162,182	-	-	6,175	54,400	222,757
Executive directors and key management						
Maria Halasz	400,000	26,401	13,762	38,000	73,667	551,830
	562,182	26,401	13,762	44,175	128,067	774,587

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KMP shareholdings

The number of shares held in the Company during the financial year by each Director and key management personnel of Cellmid Limited, including their personally related parties, are set out below.

	Balance at beginning of year	Received as part of remuneration	Other changes	Balance at end of year
2017				
David King	22,500,000	-	1,500,000	24,000,000
Maria Halasz	24,222,600	-	850,425	25,073,025
Bruce Gordon	500,000	-	1,000,000	1,500,000
Fintan Walton	300,000	-	500,000	800,000
2016				
David King	22,500,000	-	-	22,500,000
Maria Halasz	23,270,000	-	952,600	24,222,600
Bruce Gordon	500,000	-	-	500,000
Fintan Walton	-	-	300,000	300,000

KMP option holdings

The number of options held in the company during the financial year by each director and member of key management personnel of Cellmid Limited, including their personally related parties, are set out below.

	Balance at beginning of year	Acquired	Disposed/ Expired/ Exercised/	Received as part of 2017 remuneration	Balance at end of year	Vested and exercisable at end of year
2017						
David King	15,250,000	-	(11,250,000)	-	4,000,000	4,000,000
Maria Halasz	6,500,000	-	(6,500,000)	-	-	-
Bruce Gordon	2,000,000	1,000,000	(1,000,000)	-	2,000,000	2,000,000
Fintan Walton	2,000,000	250,000	(250,000)	-	2,000,000	2,000,000
	Balance at beginning of year	Acquired	Expired/ forfeited	Received as part of 2016 remuneration	Balance at end of year	Vested and exercisable at end of year
2016						
David King	11,250,000	-	-	4,000,000	15,250,000	15,250,000
Maria Halasz	6,500,000	-	-	-	6,500,000	6,500,000
Bruce Gordon	-	-	-	2,000,000	2,000,000	2,000,000
Fintan Walton	-	-	-	2,000,000	2,000,000	2,000,000

Relationship between remuneration policy and company performance

The proportion of remuneration linked to performance and the proportion that is fixed is as follows:

	Fixed remuneration		At risk STI		At risk LTI	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Directors						
David King	100.00	100.00	-	-	-	-
Maria Halasz	100.00	86.65	-	-	-	13.35
Bruce Gordon	100.00	100.00	-	-	-	-
Fintan Walton	100.00	100.00	-	-	-	-

Service agreements

The remuneration of the Chief Executive Officer, Maria Halasz, was restructured during the period to better reflect the activities of the two business units within the Group.

On 1 July 2016 a new service agreement was signed between the Group and Maria Halasz. Pursuant to this service agreement Maria Halasz’s salary component with the Group was reduced, and two consulting agreements, one with Lyramid Limited and one with Advangen Limited, were signed by Direct Capital Group Pty Ltd, a company associated with Ms Halasz.

The above arrangement is covered under one service agreement and the conditions are as follows:

- The remuneration for Ms Halasz is fixed, however, at the discretion of the Board and subject to prior approval by shareholders, she may receive performance based incentives in the future.
- The duration of the service agreement is 3 years.
- No leave and superannuation entitlement accrue in relation to the consulting agreements with Direct Capital Group Pty Ltd.
- Ms Halasz may resign from her position and thus terminate the service agreement, including the consulting agreements with Direct Capital Group Pty Ltd, by giving six months' written notice. On resignation any unvested options will be forfeited.
- The Group may terminate the employment agreement, including the consulting agreements with Direct Capital Group Pty Ltd, by providing six months' written notice or providing payment in lieu of the notice period (based on the fixed component of Ms Halasz's remuneration).
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

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Equity-based compensation

Details of the options granted as remuneration to those key management personnel and executives during the year:

Share-based payments	Options Granted & Vested in 2017	Value of options at grant date	Value of shares expensed in 2017	Proportion of remuneration
	No	\$	\$	%
Directors				
David King	-	-	-	-
Maria Halasz	-	-	-	-
Bruce Gordon	-	-	-	-
Fintan Walton	-	-	-	-

Share-based payments	Options Granted & Vested in 2016	Value of options at grant date	Value of shares expensed in 2016	Proportion of remuneration
	No	\$	\$	%
Directors				
David King	4,000,000	27,200	27,200	27.65
Maria Halasz ¹	-	-	73,667	13.35
Bruce Gordon	2,000,000	13,600	13,600	21.38
Fintan Walton	2,000,000	13,600	13,600	22.37

No equity-based compensation in the form of options over ordinary shares were issued during the year ended 30 June 2017.

1. On 25 November 2013, 12,000,000 loan shares were granted to Maria Halasz in three equal tranches under the Cellmid Limited and Controlled Entities Employee Incentive Plan and as approved by shareholders at the annual general meeting on 22 November 2013. Ordinary shares were issued under the arrangement funded by a limited recourse loan with the following vesting conditions attached:

Tranche	Vesting date	Shares	Vesting Conditions
1	25/11/2016	4,000,000	Shares will vest at any time before the vesting date when the Group's operating revenue reaches a total of \$4,000,000 over any consecutive 12 months. The fair value at the date of grant was \$73,200. The conditions in relation to this tranche have been met.
2	25/11/2016	4,000,000	Shares will vest at any time before the vesting date subject to the first patient being recruited into the Group's planned midkine antibody trial. The fair value at the date of grant was \$73,200.
3	25/11/2016	4,000,000	Shares will vest at any time before the vesting date subject to the signing of one of the following agreements for the Group's consumer health products in a territory outside of Australia and Japan: (a) a diagnostic or therapeutic licence; or (b) a distribution agreement. The fair value at the date of grant was \$73,200. The conditions in relation to this tranche have been met.

The effect of the arrangement is akin to an option. The value of the shares at the date of grant was \$0.0183 per share.

During the year, vesting conditions 1 and 3 were met and as such the shares relating to tranches 1 and 3 were vested on 25 November 2016. The 8,000,000 shares are still held under escrow. Vesting condition 2 was not met at 25 November 2016.

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Loans to directors and other members of key management personnel

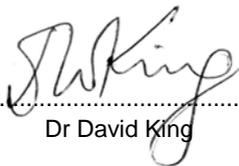
There were no loans to directors or other members of key management personnel during or since the end of the financial year.

This concludes the remuneration report which has been audited.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2017 has been received and can be found on page 52 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director:

Dr David King

Dated this 30th day of August 2017

Corporate Governance

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Cellmid Limited and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd edition ('the ASX Principles') are applicable for financial years commencing on or after 1 July 2014, consequently for the Group's 30 June 2017 year end. As a result, the Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report.

The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at <http://www.cellmid.com.au>.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.

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**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2017**

	Note	Consolidated	
		2017 \$	2016 \$
Revenue	3	4,496,338	3,120,367
Other revenue	3	226,268	268,535
Other income	3	837,515	1,222,206
		5,560,121	4,611,108
Less Expenditure			
Manufacturing sales expense		(2,118,717)	(1,219,849)
Advertisement and marketing expense		(1,528,636)	(1,976,282)
Bad debts expense		(8,485)	(6,411)
Consultancy expense		(523,800)	(222,337)
Conference and meetings expense		(166,011)	(207,436)
Communication expense		(60,175)	(84,248)
Depreciation and amortisation expense		(156,386)	(161,613)
Employee benefits expense		(2,540,540)	(2,240,356)
Finance costs		(291,173)	(195,914)
Loss on foreign exchange		(61,636)	-
Occupancy expense		(223,350)	(214,568)
Professional fees		(599,096)	(315,933)
Research and development expense		(599,605)	(354,881)
Share-based compensation		(16,107)	(176,123)
Subscription expense		(87,251)	(96,007)
Travel expense		(388,646)	(273,710)
Other expenses		(625,046)	(353,311)
Loss before income tax expense	4	(4,434,539)	(3,487,871)
Income tax expense	5	(35,597)	(11,045)
Loss for the year after income tax		(4,470,136)	(3,498,916)
Other comprehensive income, net of income tax			
<i>Items that will be reclassified to profit or loss when specific conditions are met</i>			
Exchange differences on translating foreign controlled entities		(279,381)	461,342
Total comprehensive income for the year		(4,749,517)	(3,037,574)
Loss for the year attributable to:			
Owners of Cellmid Limited		(4,470,136)	(3,498,916)
Total comprehensive income for the year attributable to:			
Owners of Cellmid Limited		(4,749,517)	(3,037,574)
Earnings per share for loss attributable to the owners of Cellmid Limited			
Basic earnings per share (cents)	8	(0.44)	(0.38)
Diluted earnings per share (cents)	8	(0.44)	(0.38)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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**Statement of Financial Position
As at 30 June 2017**

		Consolidated	
	Note	2017	2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	3,994,641	2,686,329
Trade and other receivables	10	378,284	298,339
Inventories	11	2,079,323	2,009,792
Other assets	12	110,054	136,644
TOTAL CURRENT ASSETS		6,562,302	5,131,104
NON-CURRENT ASSETS			
Plant and equipment	13	68,722	69,017
Intangible assets	14	1,841,385	2,214,693
TOTAL NON-CURRENT ASSETS		1,910,107	2,283,710
TOTAL ASSETS		8,472,409	7,414,814
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	1,613,668	1,434,443
Loans and borrowings	16	1,840,533	802,177
Employee provisions	17	306,755	223,001
TOTAL CURRENT LIABILITIES		3,760,956	2,459,621
NON-CURRENT LIABILITIES			
Employee provisions	17	1,837	68,336
Loans and borrowings	16	314,572	196,807
TOTAL NON-CURRENT LIABILITIES		316,409	265,143
TOTAL LIABILITIES		4,077,365	2,724,764
NET ASSETS		4,395,044	4,690,050
EQUITY			
Issued capital	18	36,715,031	32,426,826
Reserves	19	2,377,647	2,542,799
Accumulated losses		(34,697,634)	(30,279,575)
TOTAL EQUITY		4,395,044	4,690,050

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity
For the Year Ended 30 June 2017**

Note	Issued Capital \$	General Reserve \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Consolidated						
Balance at 1 July 2016	32,426,826	(79,864)	2,036,900	585,763	(30,279,575)	4,690,050
Loss for the year after income tax	-	-	-	-	(4,470,136)	(4,470,136)
Other comprehensive income	-	-	-	(279,381)	-	(279,381)
Total comprehensive income for the year, net of tax	-	-	-	(279,381)	(4,470,136)	(4,749,517)
Transactions with equity holders						
Share based payments	-	-	16,107	-	-	16,107
Shares issued during the year - net of transaction costs (Cash)	4,074,104	-	-	-	-	4,074,104
Shares issued during the year - net of transaction costs (Non-Cash)	214,101	-	-	-	-	214,101
Transfer of Equity value of 2016 loan repaid	-	(52,077)	-	-	52,077	-
Equity value of loan – net of transaction costs	-	150,199	-	-	-	150,199
Balance at 30 June 2017	36,715,031	18,258	2,053,007	306,382	(34,697,634)	4,395,044
Consolidated						
Balance at 1 July 2015	28,701,311	(131,941)	1,860,777	124,421	(26,780,659)	3,773,909
Loss for the year after income tax	-	-	-	-	(3,498,916)	(3,498,916)
Other comprehensive income	-	-	-	461,342	-	461,342
Total comprehensive income for the year, net of tax	-	-	-	461,342	(3,498,916)	(3,037,574)
Transactions with equity holders						
Share based payments	-	-	176,123	-	-	176,123
Shares issued during the year - net of transaction costs	3,725,515	-	-	-	-	3,725,515
Equity value of loan – net of transaction costs	-	52,077	-	-	-	52,077
Balance at 30 June 2016	32,426,826	(79,864)	2,036,900	585,763	(30,279,575)	4,690,050

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the Year Ended 30 June 2017

	Note	Consolidated	
		2017	2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		5,001,390	3,803,555
Payments to suppliers and employees		(9,823,291)	(7,402,022)
Interest received		56,956	39,509
Grant income		831,408	1,121,562
Finance costs		(126,982)	(111,316)
Net cash used in operating activities	21	<u>(4,060,519)</u>	<u>(2,548,712)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of non-current assets		(35,877)	(32,928)
Net cash used in investing activities		<u>(35,877)</u>	<u>(32,928)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares (net of share issue costs)		4,074,104	3,725,515
Proceeds from Loans and borrowings		1,867,960	962,800
Repayments of Loans and borrowings		(498,277)	(1,044,009)
Net cash provided by financing activities		<u>5,443,787</u>	<u>3,644,306</u>
Net increase in cash and cash equivalents held		1,347,391	1,062,666
Cash and cash equivalents at beginning of financial year		2,686,329	1,582,899
Effect of exchange rate changes		(39,079)	40,764
Cash and cash equivalents at end of financial year	9	<u>3,994,641</u>	<u>2,686,329</u>

The above Statement of Cashflows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the Year Ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

Cellmid Limited is a public company, listed on the Australian Stock Exchange, limited by shares and incorporated and domiciled in Australia.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements cover Cellmid Limited as a Group, consisting of Cellmid Limited and the entities it controlled at the end of, or during the year.

The financial statements were authorised for issue by the directors on 30th August 2017.

Basis of Preparation

Historical Cost Convention

The financial statements have been prepared on an accruals basis and are based on historical costs, except for certain non-current assets and financial instruments that are measured at re-valued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical Accounting Estimates

The preparation of financial statements in conformity with Australian International Financial Reporting Standards "AIFRS" requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the relevant notes.

Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Group only. Supplementary information about the parent entity is included in Note 2.

New, revised or amending Accounting Standards and Interpretations adopted

The Group adopted AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101 with a date of initial application of 1 July 2016. This has had an impact on the general form and presentation of the financial report only.

(a) Going concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The cash flow forecast for the next twelve months prepared by management indicates that the Group will have sufficient cash assets to be able to meet its debts as and when they become due.

Notes to the Financial Statements

For the Year Ended 30 June 2017

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cellmid Limited ("the Company") as at 30 June 2017 and the results of all subsidiaries for the year then ended. Cellmid Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset is measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Group will adopt this standard from 1 July 2018 but the full impact of its adoption has not been assessed.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically

Notes to the Financial Statements
For the Year Ended 30 June 2017

(c) New accounting standards for application in future periods (CONTINUED)

for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group will adopt this standard from 1 July 2018. Based on the initial assessment by management, it is unlikely to have a material impact as the Group does not have any major contracts or has to meet specific performance obligations at this time.

AASB 16, 'Leases',

Under AASB 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under AASB 16, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). AASB 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019.

Under AASB 16, the lease commitments will be capitalised on the balance sheet and then depreciated. The Group intends to adopt AASB 16 on its effective date and has yet to assess its full impact.

2. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent, Cellmid Limited, and has been prepared on the same basis as the consolidated financial statements, except as disclosed below.

Investments in subsidiaries and intercompany loans are accounted for at cost in the financial statements of the parent entity.

	2017	2016
	\$	\$
Statement of Financial Position		
Assets		
Current assets	4,401,880	3,245,484
Non-current assets	2,538,894	7,156,715
Total Assets	6,940,774	10,402,199
Liabilities		
Current liabilities	(2,544,956)	(1,324,282)
Non-current liabilities	(774)	(68,071)
Total Liabilities	(2,545,730)	(1,392,353)
Equity		
Issued capital	36,715,031	32,426,826
Accumulated losses	(34,575,271)	(25,505,957)
Reserves	2,255,284	2,088,977
Total Equity	4,395,044	9,009,846
Statement of Profit or Loss and Other Comprehensive Income		
Loss of the parent entity	(9,069,314)	(1,297,853)
Total comprehensive income	(9,069,314)	(1,297,853)

**Notes to the Financial Statements
 For the Year Ended 30 June 2017**

2. PARENT ENTITY INFORMATION (CONTINUED)

Contingent liabilities and contingent assets

Bank Guarantees

The parent entity has given bank guarantees as at 30 June 2017 of \$65,829 (30 June 2016: \$65,829) relating to the lease of commercial office space.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

On 30 June 2016, Cellmid Limited entered into a deed of cross guarantee to support the liabilities and obligations of four of its wholly-owned subsidiaries, Advangen Limited, Advangen International Pty Ltd, Kinera Limited and Lynamid Limited.

By entering into the deed, the wholly-owned unlisted public entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

Apart from the items noted above the parent entity had no contingent liabilities or contingent assets at 30 June 2017.

Capital Commitments

The parent entity had no capital commitments at 30 June 2017 (Nil at 30 June 2016).

3. REVENUE AND OTHER INCOME

Accounting Policy

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of products is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the products and the cessation of all involvement in those products.

Interest revenue is recognised as interest accrues using the effective interest rate method.

Royalties are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group.

Government grants are recognised in profit or loss when the grant is received.

Revenue from continuing operations

	2017	2016
	\$	\$
Revenue:		
- Consumer health and sale of products	4,496,338	3,120,367
Other revenue:		
- interest received	56,956	39,509
- licence fees and royalties	147,520	205,390
- other revenue	21,792	23,636
	226,268	268,535
Total Revenue	4,722,606	3,388,902

**Notes to the Financial Statements
 For the Year Ended 30 June 2017**

3. REVENUE AND OTHER INCOME (CONTINUED)

	2017	2016
	\$	\$
Other income:		
- Government grants	831,408	1,121,562
- Gain on foreign exchange	-	95,972
- Other income	6,107	4,672
Total other income	837,515	1,222,206

4. LOSS FOR THE YEAR

Loss before income tax includes the following specific expenses:

	2017	2016
	\$	\$
Manufacturing sales expense	(2,118,717)	(1,219,849)
Finance costs	(291,173)	(195,914)
Defined contribution superannuation expense	(188,938)	(178,740)
Loss on foreign exchange	(61,636)	-
Rental expense on leased premises	(223,350)	(200,133)
Depreciation and amortisation expense	(156,386)	(161,613)
Research and development expense	(599,605)	(354,881)

5. INCOME TAX

Accounting Policy

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and adjustments recognised for prior periods where applicable.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset only where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Notes to the Financial Statements
For the Year Ended 30 June 2017

5. INCOME TAX (CONTINUED)

(a) The major components of income tax expense comprise:

	2017	2016
	\$	\$
Income tax expense	(35,597)	(11,045)

(b) Numerical reconciliation of income tax expense to accounting loss:

Loss for year before income tax expense	(4,434,539)	(3,487,871)
Prima facie tax benefit on loss from ordinary activities before income tax at 30.58% (2016: 29.89%)	(1,356,082)	(1,042,630)
Add / (less) tax effect of:		
- Share based payment	4,925	52,837
- Sundry items	96,656	46,743
- Research and development expenditure	583,376	562,650
- Research and development core technology expenditure	-	(190,438)
- Tax losses not brought to account	635,528	559,793
Income tax expense	(35,597)	(11,045)

The Group operates across three tax jurisdictions being Australia, Japan and USA each with different corporate tax rates. The applied tax rate of 30.58% represents the average tax rate applicable to the Group for the financial year ended 30 June 2017.

(c) Unused tax losses

Movements in unused tax losses	Australia	Japan	USA	Total
	\$	\$		\$
Carried forward unused tax losses at the beginning of the financial year	17,043,489	2,168,282	-	19,211,771
Prior period differences between tax calculation and income tax return	79,152	-	-	79,152
Actual carried forward unused tax losses at the beginning of the financial year	17,122,641	2,168,282		19,290,923
Current unused tax losses for which no deferred tax asset has been recognised	2,581,739	(211,213)	547,825	2,918,351
Carried forward unused tax losses at the end of the financial year	19,704,380	1,957,069	547,825	22,209,274
Notional tax rate	30.00%	34.06%	38.90%	
Potential future tax benefit	5,911,314	666,577	213,104	6,790,995

No income tax benefit was recognised. This income tax benefit arising from tax losses will only be realised if:

- i. the Group derives future assessable income of a nature and of an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;
- ii. the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

**Notes to the Financial Statements
 For the Year Ended 30 June 2017**

6. INTERESTS OF KEY MANAGEMENT PERSONNEL (“KMP”)

(a) Directors and key management personnel

The following persons were directors or key management personnel of Cellmid Limited during the financial year:

Mr David King	(Non-Executive Chairman)
Ms Maria Halasz	(CEO and Managing Director)
Mr Bruce Gordon	(Non-Executive Director)
Dr Fintan Walton	(Non-Executive Director)

(b) Directors and key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2017	2016
	\$	\$
Short-term employment benefits	593,538	588,583
Long-term benefits	22,927	13,762
Post-employment benefits	28,975	44,175
Share-based payments	(52,781)	128,067
	592,659	774,587

7. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the parent entity, its related practices and unrelated firms:

	2017	2016
	\$	\$
Audit or review of the Group Cellmid Limited		
- BDO East Coast Partnership – Australia	56,500	56,500
- BDO Toyo & Co – Japan	10,000	10,000
Audit or review of the Subsidiary Advangen Limited		
- BDO East Coast Partnership – Australia	-	12,500
	66,500	79,000

Notes to the Financial Statements
For the Year Ended 30 June 2017

8. EARNINGS PER SHARE

Accounting Policy

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of Cellmid Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2017	2016
	\$	\$
Basic and diluted earnings per share (in cents)	(0.44)	(0.38)
Reconciliation of earnings to profit or loss from continuing operations		
Loss for the year attributable to the owners of Cellmid Limited	(4,470,136)	(3,498,916)
	No.	No.
Weighted average number of ordinary shares used in calculating basic and dilutive earnings per share	1,020,158,965	910,130,745

Details relating to options are set out in Note 18.

9. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the consolidated statement of financial position.

	2017	2016
	\$	\$
Cash at bank and in hand	3,994,641	2,686,329

The effective interest rate on short term bank deposits at 30 June 2017 was 1.75 % (2015: 2.65%); these deposits were all at call.

Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	3,994,641	2,686,329
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Notes to the Financial Statements
For the Year Ended 30 June 2017

10. TRADE AND OTHER RECEIVABLES

Accounting Policy

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

	2017	2016
	\$	\$
Current		
Trade receivables	386,850	282,047
Less: Provision for impairment	(20,970)	(21,430)
Other receivables	12,404	37,722
	378,284	298,339

Impairment of receivables

The Group has recognised a loss of \$8,485 (2016: \$6,411) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

The ageing of the impaired receivables provided for above are as follows:

	2017	2016
	\$	\$
Over 6 months overdue	20,970	21,430

Movements in the provision for impairment of receivables are as follows:

Opening balance	21,430	15,019
Additional provisions recognised	-	6,411
Receivables written off during the year as uncollectable	(460)	-
Closing balance	20,970	21,430

**Notes to the Financial Statements
 For the Year Ended 30 June 2017**

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$18,150 as at 30 June 2017 (30 June 2016: \$10,649).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Effective interest rates and credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or Group of counterparties other than those receivables specifically provided for and mentioned within Note 24(a). The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

There is no interest rate risk for the balances of trade and other receivables. There is no material credit risk associated with other receivables.

11. INVENTORIES

Accounting Policy

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of standard costing and are reviewed regularly. Costs of purchased inventory are determined after deducting rebates and realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

	2017	2016
	\$	\$
Current		
Midkine and MK ELISA	1,015,492	1,006,471
Consumer Health-Finished goods	798,991	671,831
Consumer Health-Raw materials	264,840	331,490
	2,079,323	2,009,792

12. OTHER ASSETS

	2017	2016
	\$	\$
Prepayments	110,054	136,644

Notes to the Financial Statements
For the Year Ended 30 June 2017

13. PLANT AND EQUIPMENT

Accounting Policy

Plant and equipment is measured at historical cost less accumulated depreciation and any accumulated impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset are:

Class of asset	Depreciation Rate
Furniture and fittings	20%
Office equipment	6.7 - 33.33%

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	2017	2016
	\$	\$
At cost	507,567	515,717
Accumulated depreciation and foreign exchange movements	(438,845)	(446,700)
	68,722	69,017

Notes to the Financial Statements
For the Year Ended 30 June 2017

13. PLANT AND EQUIPMENT (CONTINUED)

Movements in carrying amounts of plant and equipment

	\$
Balance at 1 July 2016	69,017
Additions	35,877
Depreciation	(35,584)
Foreign exchange movements	(588)
Balance at 30 June 2017	68,722
Balance at 1 July 2015	74,989
Additions	32,928
Depreciation	(45,051)
Foreign exchange movements	6,151
Balance at 30 June 2016	69,017

14. INTANGIBLE ASSETS

Accounting Policy

Patents and trademarks

Patents and trademarks have a finite life and are measured at cost less any accumulated amortisation and any impairment losses.

Research and development

Expenditure on research activities is recognised as an expense in the period in which is incurred.

Impairment of intangible assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment includes the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. The recoverable amount of the asset is determined based on reviewing the status of the research and development program, progress on its patent applications and projected cash flow calculations. These calculations require the use of assumptions, including estimating timing of cash flows, product development and availability of resources to exploit the assets.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements
For the Year Ended 30 June 2017

14. INTANGIBLE ASSETS (CONTINUED)

	2017	2016
	\$	\$
Patents and trademarks		
At cost	2,301,371	2,605,267
Accumulated amortisation and foreign exchange movements	(459,986)	(390,574)
	1,841,385	2,214,693

Movements in carrying amounts of patents and trademarks

	\$
Balance at 1 July 2016	2,214,693
Additions	-
Amortisation	(120,802)
Foreign exchange movements	(252,506)
Balance at 30 June 2017	1,841,385
Balance at 1 July 2015	1,898,942
Additions	-
Amortisation	(116,562)
Foreign exchange movements	432,313
Balance at 30 June 2016	2,214,693

Intangible assets, have finite useful lives. The Group has determined the useful life of the intangible assets at 20 years. The remaining useful life is 17 years.

15. TRADE AND OTHER PAYABLES

Accounting Policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Due to their short term nature they are measured at amortised cost and are not discounted.

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting.

	2017	2016
	\$	\$
Trade payables	680,822	655,851
Other payables	932,846	778,592
	1,613,668	1,434,443

Notes to the Financial Statements
For the Year Ended 30 June 2017

16. LOANS AND BORROWINGS

	2017	2016
	\$	\$
Current	1,840,533	802,177
Non-current	314,572	196,807
	2,155,105	998,984

Accounting Policy

(a) Non Derivative

Non-derivative loans and borrowings are financial liabilities with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

	2017	2016
	\$	\$
Current	56,711	146,191
Non-current	314,572	196,807
	371,283	342,998

(b) Compound

Derivative loans and borrowings are compound financial instruments which comprise of two components; a financial liability and an equity instrument

The fair value of the liability component of a convertible loan is determined using a market interest rate for an equivalent non-convertible loan. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan. The remainder of the proceeds are allocated to the equity component. This is recognised and included in shareholders' equity.

	2017	2016
	\$	\$
Current	1,783,822	655,986
Non-current	-	-
	1,783,822	655,986

Notes to the Financial Statements
For the Year Ended 30 June 2017

16. LOANS AND BORROWINGS (CONTINUED)

On 27 February 2017, Cellmid Limited entered into an R&D loan advance agreement with Platinum Road for \$2,000,000. The loan is secured for a period of twenty four months from commencement.

The agreement gives the lenders the right to require Cellmid to issue new ordinary fully paid shares at 5.0 cents per share to reduce the principal amount, with the maximum total being 20,000,000 shares for the first 12 months, up to 50% of the total loan facility. The remaining 50% of the loan may be converted to shares at 5.0 cents by the lenders at any time between 12 months from the date of the agreement and the expiry of the 24-month term. Additionally, the lenders have the right to require Cellmid to issue fully paid ordinary shares in lieu of payment of accrued interest (at an annual rate of 12%, accrued monthly). These shares are to be issued at 3.5 cents per shares, with a maximum total being 6,857,142 shares being issued.

The remaining loan amounts relate to loan facilities with Keiyo Bank Ltd (JPY: 24,765,000) and Chiba Bank Ltd. (JPY: 6,827,000) and a lease facility with Business Mitsui Trust Panasonic Finance KK (JPY: 387,612).

The loan facility is secured by a fixed charge over the assets of the Group, and is fully drawn as at 30 June 2017.

17. EMPLOYEE BENEFITS

Accounting Policy

Provision is made for the Company's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

Short term employee benefits

Liability for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long term employee benefits

Liability for annual leave and long service leave not expected to be settled within 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, of employee departures and period of service.

Retirement benefit obligations

Contributions for retirement benefit obligations are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. Contributions are paid into the fund nominated by the employee.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

	Employee Benefits		
	Annual Leave	Long Service Leave	Total
	\$	\$	
Balance at 1 July 2016	223,001	68,336	291,337
Additional provisions	12,205	5,050	17,255
Balance at 30 June 2017	235,206	73,386	308,592

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

17. EMPLOYEE PROVISIONS (CONTINUED)

	2017 \$	2016 \$
Analysis of employee provisions		
Current	306,755	223,001
Non-current	1,837	68,336
	308,592	291,337

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement.

18. ISSUED CAPITAL

	2017 Shares	2016 Shares	2017 \$	2016 \$
Ordinary shares – fully paid	1,072,456,303	928,500,508	36,715,031	31,794,565
Unissued ordinary shares under option*	34,440,000	330,954,732	-	632,261
			36,715,031	32,426,826

(a) Ordinary shares

	Issue price \$	2017 No.	2016 No.	2017 \$	2016 \$
At the beginning of the year		928,500,508	95,167,175	31,794,565	28,069,050
Shares issued – May 2017	0.027	2,074,074	-	56,000	-
Shares issued – March 2017	0.0306	1,000,000	-	30,600	-
Shares issued – March 2017	0.02	700,000	-	14,000	-
Shares issued – March 2017	0.034	250,000	-	8,500	-
Shares issued – March 2017	0.023	4,565,218	-	105,000	-
Shares issued – November 2016	0.03	35,483,334	-	1,064,500	-
Shares issued – November 2016	0.03	63,516,666	-	1,905,500	-
Shares issued – October 2016	0.034	32,394,541	-	1,101,401	-
Shares issued – October 2016	0.03	3,971,962	-	119,159	-
Shares issue costs, net of tax	-	-	-	(116,455)	-
Listed options exercised/lapsed*		-	-	632,261	-
Shares issued – September 2015	0.03	-	23,333,333	-	700,000
Shares issued – August 2015	0.03	-	110,000,000	-	3,300,000
Shares issue costs, net of tax		-	-	-	(274,485)
At the end of the year		1,072,456,303	928,500,508	36,715,031	31,794,565

*Options were either exercised or lapsed during the financial year ended 30 June 2017.

Notes to the Financial Statements
For the Year Ended 30 June 2017

18. ISSUED CAPITAL (CONTINUED)

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have a limited amount of authorised capital and the fully paid ordinary shares have no par value.

For information relating to the Cellmid Limited and controlled entities employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 29 Share-based payments.

For information relating to share options issued to key management personnel during the financial year, refer to the remuneration report.

	2017	2016
	No.	No.
At the beginning of the year	330,954,732	301,054,732
Options issued - November 2016	2,000,000	-
Options issued - June 2017	1,000,000	-
Option exercised - March 2017	(3,971,962)	-
Option exercised - October 2016	(32,394,541)	-
Options lapsed - October 2016	(258,148,229)	-
Options lapsed - June 2017	(5,000,000)	-
Options issued - September 2015	-	18,000,000
Options issued - November 2015	-	12,500,000
Options lapsed - November 2015	-	(100,000)
Options lapsed - June 2016	-	(500,000)
At the end of the year	<u>34,440,000</u>	<u>330,954,732</u>

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Group looks to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current parent entity's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Notes to the Financial Statements
For the Year Ended 30 June 2017

19. RESERVES

	2017	2016
	\$	\$
Share based payment reserve		
Balance at the beginning of the year	2,036,900	1,860,777
Share based payment expense	16,107	176,123
Balance at the end of the year	<u>2,053,007</u>	<u>2,036,900</u>
General reserve		
Balance at the beginning of the year	(79,864)	(131,941)
Transfer of Equity value of 2016 loan repaid	(52,077)	-
Equity value of loan - net of transaction costs	150,199	52,077
Balance at the end of the year	<u>18,258</u>	<u>(79,864)</u>
Foreign currency translation reserve		
Balance at the beginning of the year	585,763	124,421
Foreign exchange movements	(279,381)	461,342
Balance at the end of the year	<u>306,382</u>	<u>585,763</u>
Total reserves	<u>2,377,647</u>	<u>2,542,799</u>

(a) Share based payments reserve

The fair value of options granted is recognised as a benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors and executives become unconditionally entitled to the options.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, and are credited to share capital.

(b) General reserve

The movement in the reserve is as a result of the recognition of the equity component of the convertible loan.

(c) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

Notes to the Financial Statements
For the Year Ended 30 June 2017

20. Functional and presentation currency

Accounting Policy

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

21. CASH FLOW INFORMATION

	2017	2016
	\$	\$
Reconciliation of loss after income tax to net cash used in operating activities		
Loss after income tax for the year	(4,470,136)	(3,498,916)
Adjustments for:		
- depreciation and amortisation	156,386	161,613
- share based payments	16,107	176,123
- bad and doubtful debts	8,485	6,411
- interest expense	231,997	48,063
- finance income	(76,952)	(40,000)
Changes in operating assets and liabilities		
- (Increase)/decrease in trade and other receivables	(79,945)	320,308
- Decrease in prepayments	26,590	107,966
- Increase in inventories	(69,531)	(282,332)
- Increase in trade and other payables	179,225	430,100
- Increase in provisions	17,255	21,952
Net cash used in operating activities	(4,060,519)	(2,548,712)

Notes to the Financial Statements
For the Year Ended 30 June 2017

22. EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

23. RELATED PARTY TRANSACTIONS

(a) The Group's main related parties are as follows:

Parent entities

Cellmid Limited is the ultimate parent entity.

Subsidiaries

For details of disclosures relating to subsidiaries, refer to Note 25. Transactions and balances between subsidiaries and the parent have been eliminated on consolidation of the Group.

Key management personnel

For details of disclosures relating to key management personnel, refer to the remuneration report contained within the Director's report.

Transactions with related parties

During the year ending, the remuneration for Ms Halasz has been restructured to more accurately reflect the management costs incurred by each wholly owned subsidiary of the Consolidated Entity. As a result, Direct Capital Group Pty Ltd, a related party to Ms Halasz, was paid \$188,538 for management services. No amount was outstanding as at 30 June 2017.

24. FINANCIAL RISK MANAGEMENT

Accounting policy

Financial instruments are recognised when the entity becomes a party to the contractual provisions to the instrument and are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised immediately as expenses in profit or loss.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

(a) Transactions with related parties

For details of disclosures relating to related parties, refer to Note 23(a). The Group's activities expose it to a number of financial risks as described below. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. To date, the Group has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposures identified.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Notes to the Financial Statements
For the Year Ended 30 June 2017

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

		2017	2016
		\$	\$
Financial Assets			
Cash and cash equivalents	9	3,994,641	2,686,329
Trade and other receivables	10	378,284	298,339
Total financial assets		4,372,925	2,984,668
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	15	1,613,668	1,434,443
- Loans and borrowings	16	2,155,105	998,984
Total financial liabilities		3,768,773	2,433,427

The fair value of financial assets and liabilities equate to the carrying value.

(a) Credit risk

Credit risk is managed on a Group basis. The Group has no significant concentration of credit risk.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the table above.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Credit risk related to balances with banks and other financial institutions is managed by management in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-.

(b) Liquidity risk

The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

The Group is not exposed to any material liquidity risk.

Financial liabilities consist of two items, trade and other payables for which the contractual maturity dates are within 6 months of the reporting date and loans and borrowings.

Loans and borrowings at reporting date have contractual maturity dates as follows:

	2017	2016
	\$	\$
Within one year	1,840,533	802,177
One to five years	314,572	196,807

Notes to the Financial Statements
For the Year Ended 30 June 2017

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group, being Australian dollars.

The maximum exposure to foreign exchange risk is the fluctuation in exchange rates on the USD and JPY denominated bank accounts and also the profit and net assets of the Japanese and US subsidiary, Advangen INC and Advangen LLC.

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

At the end of the financial year, the effect on profit and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Profit \$	Equity \$
Year ended 30 June 2017		
+/- 1% in foreign exchange rates	+/-3,366	-/+1,249
Year ended 30 June 2016		
+/- 1% in foreign exchange rates	+/-1,249	-/+ 2,153

Interest rate risk

The Group's main interest rate risk arises from deposits with banks and other financial institutions.

Deposits made at variable rates expose the Group to interest rate risk. Management maintains approximately 100% of deposits with banks at call on variable interest rates.

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At the end of the financial year, the effect on profit and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows:

	Profit \$	Equity \$
Year ended 30 June 2017		
+/- 1% in interest rates	+/- 39,946	+/- 39,946
Year ended 30 June 2016		
+/- 1% in interest rates	+/- 26,863	+/- 26,863

Notes to the Financial Statements
For the Year Ended 30 June 2017

25. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Percentage Owned (%) 2017	Percentage Owned (%) 2016
Subsidiaries of Cellmid Limited:			
Advangen Limited	Australia	100	100
Kinera Limited	Australia	100	100
Lynamid Limited	Australia	100	100
Subsidiaries of Advangen Limited:			
Advangen International Pty Ltd	Australia	100	100
Advangen Incorporated	Japan	100	100
Advangen LLC	USA	100	-

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

On 30 June 2016, Cellmid Limited entered into a deed of cross guarantee to support the liabilities and obligations of four of its wholly-owned subsidiaries, Advangen Limited, Kinera Limited, Lynamid Limited and Advangen International Pty Ltd. By entering into the deed, the wholly-owned unlisted public entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

The following are the aggregate totals, for each category, relieved under the deed.

	Parties to the Deed of Cross Guarantee
	2017
	\$
(A) STATEMENT OF FINANCIAL POSITION	
CURRENT ASSETS	
Cash and cash equivalents	3,369,127
Trade and other receivables	181,267
Inventories	1,573,535
Other assets	73,873
TOTAL CURRENT ASSETS	5,197,802
NON-CURRENT ASSETS	
Plant and equipment	43,760
Intangible assets	1,440
Investments in Advangen Inc. Japan	2,888,105
Loan - Advangen INC	309,625
Loan - Advangen LLC	590,802
TOTAL NON-CURRENT ASSETS	3,833,732
TOTAL ASSETS	9,031,534
CURRENT LIABILITIES	
Trade and other payables	1,302,385
Loans and borrowings	1,783,822
Employee provisions	306,755
TOTAL CURRENT LIABILITIES	3,392,962

**Notes to the Financial Statements
 For the Year Ended 30 June 2017**

25. INTERESTS IN SUBSIDIARIES (CONTINUED)

	Parties to the Deed of Cross Guarantee 2017	\$
NON-CURRENT LIABILITIES		
Employee provisions	1,837	
Loans and borrowings	-	
TOTAL NON-CURRENT LIABILITIES	<u>1,837</u>	
TOTAL LIABILITIES	<u>3,394,799</u>	
NET ASSETS	<u>5,636,735</u>	
EQUITY		
Issued capital	36,715,031	
Reserves	2,058,288	
Accumulated losses	(33,136,584)	
TOTAL EQUITY	<u>5,636,735</u>	
(B) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:		
Loss before income tax	(3,994,534)	
Income tax expense	-	
Loss after income tax	<u>(3,994,534)</u>	
Loss attributable to members of the parent entity	<u>(3,994,534)</u>	
(C) Accumulated Losses:		
Accumulated Losses at the beginning of the year	(29,194,128)	
Loss after income tax + Transfer SOCE	(3,942,457)	
Accumulated Losses at the end of the year	<u>(33,136,585)</u>	

26. SEGMENT INFORMATION

Accounting Policy

Identification of reporting segments

The Group is organised into two operating segments:

- research and development of diagnostics and therapeutics; and
- research, development and marketing of hair growth products.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

Notes to the Financial Statements
For the Year Ended 30 June 2017

26. SEGMENT INFORMATION (CONTINUED)

Types of products and services

The principal products and services of each of these operating segments are as follows:

Research and development of diagnostics and therapeutics (Midkine Business)

- Midkine diagnostics and therapeutics for cancer, inflammatory and ischemic conditions.

Research, development and marketing of hair growth products (Consumer Health Business)

- research, development and marketing of hair growth products.

In 30 June 2017, the Group has presented both business and geographical segments. The presentation of business segments is to ensure that segment information are in line with the internal reports presented to the Board of Directors.

Business segment

	Midkine		Consumer Health		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Revenue						
Consumer health and product sales to external customers	43,130	158,061	4,453,208	2,962,306	4,496,338	3,120,367
Total	43,130	158,061	4,453,208	2,962,306	4,496,338	3,120,367
Interest received	56,956	39,342	-	167	56,956	39,509
Royalties and licences	147,520	205,390	-	-	147,520	205,390
Other revenue	-	-	21,792	23,636	21,792	23,636
Total revenue	247,606	402,793	4,475,000	2,986,109	4,722,606	3,388,902
Other income						
Government grant received	831,409	1,026,172	-	95,390	831,409	1,121,562
Gain/Loss on disposal of assets	-	-	-	-	-	-
Other income	6,106	24,042	-	76,602	6,106	100,644
Expenses	(2,478,483)	(2,370,634)	(7,052,511)	(5,194,695)	(9,530,994)	(7,565,329)
Share based compensation	(16,107)	(176,123)	-	-	(16,107)	(176,123)
Depreciation and amortisation	(12,806)	(16,007)	(143,580)	(145,606)	(156,386)	(161,613)
Finance costs	(240,468)	(189,458)	(50,705)	(6,456)	(291,173)	(195,914)
Profit / (Loss) before income tax	(1,662,743)	(1,299,215)	(2,771,796)	(2,188,656)	(4,434,539)	(3,487,871)
Income tax (expense)					(35,597)	(11,045)
Loss after income tax					(4,470,136)	(3,498,916)
Assets						
Segment assets	4,889,037	3,274,865	3,583,372	4,139,949	8,472,409	7,414,814
Total assets					8,472,409	7,414,814
Liabilities						
Segment liabilities	(2,576,342)	(1,392,353)	(1,501,023)	(1,332,411)	(4,077,365)	(2,724,764)
Total liabilities					(4,077,365)	(2,724,764)

Notes to the Financial Statements
For the Year Ended 30 June 2017

26. SEGMENT INFORMATION (CONTINUED)

Geographical segment

	Australia and USA		Japan		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Revenue						
Consumer health and product sales to external customers	1,511,433	969,996	2,984,905	2,150,371	4,496,338	3,120,367
Total	1,511,433	969,996	2,984,905	2,150,371	4,496,338	3,120,367
Interest received	56,956	39,473	-	36-	56,956	39,509
Royalties and licences	147,520	205,390	-	-	147,520	205,390
Other revenue	-	23,636	21,792	-	21,792	23,636
Total revenue	1,715,909	1,238,495	3,006,697	2,150,407	4,722,606	3,388,902
Non-current assets						
Segment non-current assets	63,391	28,617	1,846,716	2,255,093	1,910,107	2,283,710
Total non-current assets					1,910,107	2,283,710

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the consumer health segment who accounts for 19.78% of external revenue (2016:39.94%). The next most significant client accounts for 3.4% (2016: 12.22%) of external revenue.

27. COMMITMENTS

	2017 \$	2016 \$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	131,541	140,844
One to five years	2,919	135,037
Minimum lease payments	134,460	275,881

Operating lease commitments includes contracted amounts for office space under non-cancellable operating lease expiring within five years with no option to extend and the business telephone system.

Notes to the Financial Statements
For the Year Ended 30 June 2017

28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Claims

On 22 July 2016, Ikon Communications Pty Ltd (Ikon), a subsidiary of the WPP AUNZ (ASX:WPP) group of advertising agencies, filed legal action against Advangen International Pty Limited (Advangen), Cellmid's wholly owned subsidiary operating the Australian consumer health business.

Ikon's claim is for the amount of \$939,055.65 pursuant to the Services Agreement entered into by the parties on 15 June 2015. In the claim Ikon alleges that Advangen has failed to pay certain invoices for services rendered in relation to an advertising campaign.

Advangen strongly disputes that Ikon is entitled to be paid for the work the subject of the invoices. It is Advangen's position that Ikon has breached the Services Agreement, failed to provide certain services at all or adequately and engaged in misleading and dishonest conduct that has caused Advangen loss and damage.

Advangen intends to vigorously defend its position and cross claim for payments already made for services not provided or properly provided by Ikon, as well as for any further damages. It will also ensure that there is adequate security for its costs, and if necessary, apply for an order that security for costs be provided by Ikon.

Guarantees

The Group has given bank guarantees as at 30 June 2017 of \$65,829 (30 June 2016: \$65,829) relating to the lease of commercial office space.

For information about guarantees given by entities within the group, including the parent entity, please refer to note 2.

Other than the matter noted above, the Group had no contingent liabilities or contingent assets at 30 June 2017. (30 June 2016: Nil)

29. SHARE-BASED PAYMENTS

Accounting Policy

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

The Cellmid Limited and Controlled Entities Employee Incentive Plan is designed as an incentive for eligible employees of the Group. Under the Plan, participants are granted options which only vest if certain conditions are met.

Notes to the Financial Statements
For the Year Ended 30 June 2017

29. SHARE-BASED PAYMENTS (CONTINUED)

A summary of the Company options granted under the Plan is as follows:

Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Forfeited/ expired	Balance at the end of the year	Exercisable at end of year
15/11/2016	0.03	3,971,962	-	(3,971,962)	-	-	-
15/06/2017	0.032	5,000,000	-	-	(5,000,000)	-	-
14/08/2017	0.034	1,440,000	-	-	-	1,440,000	1,440,000
1/08/2018	0.04	4,000,000	-	-	-	4,000,000	4,000,000
1/08/2018	0.05	4,000,000	-	-	-	4,000,000	4,000,000
1/08/2018	0.06	10,000,000	-	-	-	10,000,000	10,000,000
19/11/2018	0.031	500,000	-	-	-	500,000	500,000
19/11/2018	0.06	11,500,000	-	-	-	11,500,000	11,500,000
1/07/2020	0.03	-	1,000,000	-	-	1,000,000	1,000,000
31/10/2019	0.03	-	2,000,000	-	-	2,000,000	2,000,000
		40,411,962	3,000,000	(3,971,962)	(5,000,000)	34,440,000	34,440,000

The weighted average exercise price during the financial year was \$0.052 (\$0.046 in 2016). The weighted average remaining contractual life of the options outstanding at the end of the financial year was 1.28 years (1.83 years in 2016).

3,000,000 options were granted during the 2017 financial year (2016: 30,500,000) and net share based payment expense for the period was \$16,107* (2016: \$176,123).

*The amount relates to \$89,307 share based payment and write back of \$73,200 previously amortised.

Other options on issue

A summary of the Company options not issued under the plan is as follows:

Expiry Date	Exercise price	Balance at start of the year	Granted	Exercised	Forfeited/ expired	Balance at the end of the year	Exercisable at end of year
23/10/2016	0.034	290,542,770	-	(32,394,541)	(258,148,229)	-	-
		290,542,770	-	(32,394,541)	(258,148,229)	-	-

Directors' Declaration

The directors of the company declare that:

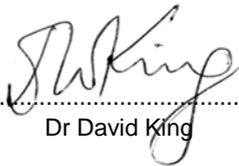
1. the financial statements and notes, as set out on pages 16 to 47, are in accordance with the Corporations Act 2001 and:
 - i. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - ii. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

The company and its four Australian wholly-owned subsidiaries, Advangen Limited, Kinera Limited, Lyramid Limited and Advangen International Pty Limited, have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295 (5) of the Corporations Act 2001.

Director:



Dr David King

Dated this 30th day of August 2017

Additional Information for Listed Entities

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 22 August 2017.

20 LARGEST SHAREHOLDERS

Fully Paid Ordinary Shares

Shareholders	Balance	Percent
MR GREGORY GLENN WORTH <WORTH S/F A/C>	36,400,000	3.407%
UBS NOMINEES PTY LTD	33,333,333	3.120%
CELL SIGNALS INC	28,000,000	2.621%
SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	23,000,000	2.153%
MR TREVOR GOTTLIEB	17,510,000	1.639%
NATIONAL NOMINEES LIMITED	17,460,122	1.634%
MR JAMES PATRICK TUIITE & MRS WENDY TUIITE <TUIITE SUPER 1 A/C>	17,146,462	1.605%
MR KEVIN PETER HOOPER & MR RONALD LESLIE HOOPER <SATHNASH P/L SUPER FUND A/C>	16,500,000	1.544%
MR DARIN ANJOUL & MRS TANIA ANJOUL <TAN GROUP SUPER FUND A/C>	14,750,000	1.380%
DR KUEN SENG CHAN	14,000,000	1.310%
MR HAROLD LEONARD GOTTLIEB & MRS HELEN CYNTHIA GOTTLIEB <H & H GOTTLIEB PSNL S/F A/C>	12,577,112	1.177%
MOORE FAMILY NOMINEE PTY LTD <MOORE FAMILY SUPER FUND A/C>	12,500,000	1.170%
INSCAPE SOLUTIONS PTY LTD	12,400,000	1.161%
MRS REBECCA SHALALA	11,900,019	1.114%
MR SCOTT JEFFREY RICHARD CHAPMAN	11,700,000	1.095%
CITICORP NOMINEES PTY LIMITED	11,320,623	1.060%
MR GREGORY BERNARD HILTON	10,897,000	1.020%
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,300,051	0.964%
MR MING LOV & MRS CHIU LOV <LOV FAMILY A/C>	10,000,000	0.936%
MR TRAFFORD WILLIAM VAGG	9,818,713	0.919%
Total	331,513,435	31.053%
Issued Share Capital	1,068,456,303	

SUBSTANTIAL HOLDERS

There are no current individual substantial shareholders of Cellmid Limited shares, however the ASX has been advised that Mr Paul Ruggiero holds 15.6% of the collective voting rights of like-minded investors.

HOLDING ANALYSIS

Holdings Ranges	Holders	Total units	%
1 – 1,000	72	12,472	0.001
1,001 – 5,000	37	120,009	0.011
5,001 – 10,000	119	1,096,424	0.103
10,001 – 100,0000	1,055	51,276,161	4.799
100,001 – 99,999,999	843	1,015,951,237	95.086
Totals	2,126	1,068,456,303	100.000

Additional Information for Listed Entities

NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No of Holders	Voting Rights
Ordinary Shares	2,119	Yes
Unlisted Options \$0.034 expiring 14/08/2017	1	No
Unlisted Options \$0.040 expiring 01/08/2017	1	No
Unlisted Options \$0.050 expiring 01/08/2017	1	No
Unlisted Options \$0.060 expiring 19/11/2018	2	No
Unlisted Options \$0.031 expiring 19/11/2018	1	No
Unlisted Options \$0.060 expiring 19/11/2018	6	No
Unlisted Options \$0.030 expiring 01/07/2020	1	No
Unlisted Options \$0.030 expiring 31/10/2019	1	No
Cellmid FPO Voluntary Escrow for 5 years	1	Yes

Subject to the ASX Listing Rules, the Company's Constitution and any special rights or restrictions attached to a share, at a meeting of shareholders:

- On a show of hands, each shareholder present (in person, by proxy, attorney or representative) has one vote; and
- On a poll, each shareholder present (in person, by proxy, attorney or representative) has;
 - One vote for each fully paid share they hold; and
 - A fraction of a vote for each partly paid share they hold.

UNMARKETABLE PARCELS OF SHARES

The number of shareholders with less than a marketable parcel of shares is 60.

CLASSES OF UNQUOTED SECURITIES

Class of Security	No of Holders	Total Units
Unlisted Options \$0.034 expiring 14/08/2017	1	1,440,000
Unlisted Options \$0.040 expiring 01/08/2017	1	4,000,000
Unlisted Options \$0.050 expiring 01/08/2017	1	4,000,000
Unlisted Options \$0.060 expiring 19/11/2018	2	10,000,000
Unlisted Options \$0.031 expiring 19/11/2018	1	500,000
Unlisted Options \$0.060 expiring 19/11/2018	6	11,500,000
Unlisted Options \$0.030 expiring 01/07/2020	1	1,000,000
Unlisted Options \$0.030 expiring 31/10/2019	1	2,000,000

GENERAL

There is no current on-market buy-back for the Company's securities.

Corporate Directory

Company Details

The registered office of the company is:

Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

The principal places of business are:

Cellmid Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Kinera Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Advangen International Pty Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Lynamid Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Advangen Incorporated
Chiba Industry Advancement Centre
Tokatsu Techno Plaza
5-4-6 Kashiwanoha
Kashiwa
Chiba 277-0082 Japan

Advangen LLC
801 Core street Ste A
Dallas
Dallas County
Texas 75207

Board of Directors

Non-Executive Chairman

Dr David King

Managing Director and Chief Executive Officer

Ms Maria Halasz

Non-Executive Directors

Mr Bruce Gordon
Dr Fintan Walton

Company Secretary

Mr Raymond Ting (Appointed 1 May 2017)

Auditors, Solicitors and Patent Attorney

Auditors

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000, Australia

Solicitors

Piper Alderman
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000, Australia

Patent Attorney

FB Rice & Co
Level 23, 44 Market Street
Sydney NSW 2000 Australia

Share Registry

Share Registry

Boardroom Limited
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000, Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF CELLMID LIMITED

As lead auditor of Cellmid Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cellmid Limited and the entities it controlled during the period.



Gareth Few
Partner

Sydney, 30 August 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Cellmid Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cellmid Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going Concern

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The use of the going concern assumption and the Directors' assessment on going concern is disclosed in Note 1(a).</p> <p>The Group continues to make operating losses, and management's assessment of going concern is based on the Group being able to continue generating positive cash flows from the Advangen Japan business and receive an R&D tax credit to fund R&D activities relating to Midkine.</p> <p>Due to these future uncertainties, going concern is considered to be a key focus of the audit.</p>	<p>Our procedures in relation to testing the validity of the going concern assumption focused on assessing management's cash flow forecast and the assumptions therein. Specifically, this included assessing:</p> <ul style="list-style-type: none"> • Estimated future sales and expense amounts, as well as the R&D tax credit based on historical trends and results, and expected market growth; • Expected repayment dates of borrowings and other cash commitments; and • Ability to defer expenditure if required.

Convertible Loan Notes

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year, the Group re-financed the \$700,000 loan from Platinum road via a new \$2,000,000 loan as disclosed in Note 16.</p> <p>The new loan has equity conversion features, and therefore the borrowings must be appropriately split between equity and liabilities.</p> <p>Due to the non-routine nature and complexity of these calculations, this was considered to be a key focus of the audit.</p>	<p>Our audit procedures in relation to the accounting for the new loan, amongst others, included examining the loan documents provided and assessing the:</p> <ul style="list-style-type: none"> • Loan terms; • Discount rate; and • Calculation of the split between borrowings and equity.

Valuation of Intangible Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has recognised intangible assets of \$1,841,385 at 30 June 2017 in relation to Patents and Trademarks acquired upon historical acquisition of the Japanese Advangen business (Advangen Inc.). Details of and the accounting policy for Intangible Assets are disclosed in Note 14.</p> <p>These intangibles relate exclusively to Advangen Inc.</p> <p>Whilst Advangen Inc. has remained profitable this year, the results year on year are unpredictable. As the balance forms a significant proportion of the consolidated assets of the Group, their carrying value is a key focus of the audit.</p>	<p>Our audit procedures in relation to the carrying value of the intangible assets included, among others, re-performing indicators of impairment procedures with reference to a review of CGU operating and cash flow performance for FY17.</p>

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included pages 7 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Cellmid Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

A stylized, handwritten-style logo of the letters 'BDO' in black ink.

A handwritten signature in black ink that reads 'Gareth Few'.

Gareth Few
Partner

Sydney, 30 August 2017