

Notes to the Appendix 4C

22 October 2012

Trading update on the over-the-counter (OTC) business

Since the Australian pharmacy launch in late June 2012 Cellmid's hair growth products (OTC business) generated revenues of \$275,000, of which \$99,000 was received and is included in the Appendix 4C for this period. The reason for the difference primarily is that standard trading terms for the pharmacy wholesale market are 60 days from the end of month. This means that, depending on the date of order, payment can take up to 90 days to receive.

Whilst the sales (\$275,000) reached almost 50% of cash outflows for the period (\$554,000), and this figure exceeds our internal expectations, the Company cannot project annual sales from this number for the following reasons:

- Initial roll out has exceeded expectations and the Company has been able to secure distribution through 700 pharmacies. However, there can be a significant time lag between the agreement to stock, development and implementation of planograms and ordering of the products.
- Most of the pharmacies have only commenced stocking of the products recently and line-fill rates have not yet been established. It is likely that replenishment rates will not stabilise for 12-18 months as customer awareness of the products is expected to grow significantly during that period.
- The Company has an advertising campaign planned which will be implemented from the last week in October. There has been no advertising to date as the cost of advertising can only be justified once there are convenient locations for people to buy the product at the time the ads are placed.
- Advertising is essential in brand building and making the customers aware of our products. In the absence of advertising to date it is not possible to estimate the optimum take up rate or estimate future demand.
- At this stage the Company has only commenced sales in Australia. Revenues from markets outside of Australia may be expected from the third quarter of the 2013 calendar year.

Cellmid will continue to inform the market on the developments in relation to distribution and sales in the future.

R&D Tax Credit

Cellmid filed its R&D tax credit application in July 2012, immediately following the closing of the financial year. On 28 September the Company received \$786,000 in cash, or 45% of all eligible expenditure. This amount is included in the quarterly cash flow statement.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

Cellmid Limited

ABN

69 111 304 119

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	99	99
1.2 Payments for (a) staff costs	(196)	(196)
(b) advertising and	(21)	(21)
marketing		
(c) research and	(115)	(115)
development		
(d) leased assets	0	0
(e) other working capital	(222)	(222)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes refunded	786	786
1.7 Other (provide details if material)	0	0
Net operating cash flows	331	331

+ See chapter 19 for defined terms.

Appendix 4C
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		Current quarter \$A'000	Year to date (12 months) \$A'000
1.8	Net operating cash flows (carried forward)	331	331
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	0	0
	(b) equity investments	0	0
	(c) intellectual property	0	0
	(d) physical non-current assets	(1)	(1)
	(e) other non-current assets	0	0
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	0	0
	(b) equity investments	0	0
	(c) intellectual property	0	0
	(d) physical non-current assets	0	0
	(e) other non-current assets	0	0
1.11	Loans to other entities	0	0
1.12	Loans repaid by other entities	0	0
1.13	Other (provide details if material)	0	0
		(1)	(1)
Net investing cash flows			
1.14	Total operating and investing cash flows	330	330
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	378	378
1.16	Proceeds from sale of forfeited shares	0	0
1.17	Proceeds from borrowings	0	0
1.18	Repayment of borrowings	0	0
1.19	Dividends paid	0	0
1.20	Other (provide details if material)	0	0
		378	378
Net financing cash flows			
Net increase (decrease) in cash held		709	709
1.21	Cash at beginning of quarter/year to date	1,051	1,593
1.22	Exchange rate adjustments to item 1.20	(12)	(12)
1.23	Cash at end of quarter	1,748	1,748

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Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	131
1.25	Aggregate amount of loans to the parties included in item 1.11	0

1.26 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	n/a	n/a
3.2	Credit standby arrangements	n/a	n/a

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,740	1,043
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	8	8
Total: cash at end of quarter (item 1.23)	1,748	1,051


Acquisitions and disposals of business entities

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

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 22/10/2012


Company secretary

Print name: Nicholas Falzon

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

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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