

## ASX ANNOUNCEMENT

### STRATEGIC ACQUISITION OF ADVANGEN INC., JAPAN BOOSTS CASHFLOW

- Immediate access to sales from established Japanese hair growth market
- Whole-of-chain acquisition; reduced cost of goods and no royalties on évolis®
- Global rights including China with recently granted import permits
- Boosts Cellmid's product development expertise to facilitate the midkine hair growth program

**SYDNEY, Wednesday, 8 May 2013: Cellmid Limited (ASX: CDY)** is pleased to advise that it will acquire Advangen Inc., Japan (Advangen), the company that owns the FGF-5 inhibitor hair growth technology. This is a highly strategic acquisition that will significantly increase Cellmid's revenues in the short to medium term.

Under the terms of the agreement Cellmid will acquire 100% of the shares of Advangen in a deal involving the payment of JPY120M (AU\$1.2M) in cash and the issuing of **55,737,624 shares at a nominal issue price of 5 cents each**. All of the shares will be subject to voluntary escrow agreements for up to 12 months.

The deal enables Cellmid full ownership of the FGF-5 inhibitor technology platform, which underpins the Company's existing successful évolis® hair product range and is the basis of other Advangen Inc. brands generating solid revenues in Japan.

The acquisition has important strategic aspects for Cellmid. The Company will gain immediate access to the established Japanese hair growth market.

New market opportunities will also be pursued including China where import permits are already in place for the Lexilis® and Jo-Ju® branded products.

The profitability of évolis® sold in Cellmid's existing markets will improve as there will no longer be royalties payable. In addition, savings are expected on raw material costs of the active ingredients.

Boosting the product pipeline of the merged group, Advangen's FGF-5 inhibition technology comes with a number of new candidates that include natural extracts and novel compounds with very high potency.

Another important strategic driver is Advangen's product development expertise in the hair growth sector. This should greatly facilitate Cellmid's own program to develop midkine as a hair loss treatment.

The owners of Advangen include Japanese institutional investors Biotech Healthcare No.1 Limited Partnership and bhp No.2 Investment Limited Partnership, who will be issued Cellmid shares as part of the transaction.

Director of both investment funds active in Japan's biotech industry, Dr Takeo Matsumoto, welcomed the deal and said "We have been very impressed by Cellmid's progress with évolis® on the Australian market and are happy to be invested in Cellmid shares."

"We believe Cellmid can translate their strategy to global markets and increase sales for all of our FGF-5 inhibitor brands. We are also excited about the potential of Cellmid's midkine diagnostic and therapeutic portfolio, which is becoming well known and accepted as a strong target."

Cellmid CEO, Maria Halasz, said "This is a company changing deal. Our objective is to establish Cellmid as a global leader in scientifically and clinically validated hair growth technology. We plan on generating substantial revenues in the next three to five years."

The market for hair loss products is US\$1-2 billion annually in the USA alone, affecting 52 million patients (US Department of Health and Human Services, 2009). The global market is estimated to be several times this amount. There is an outstanding potential for Cellmid's clinically proven FGF-5 inhibitor product range to gain a significant share of this market.

It is expected that the settlement of the transaction may take up to two weeks.

End

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## Transaction background

Advangen Inc. (Advangen) is a private Japanese biotechnology company funded by venture capital investors since 2002. It was originally set up to commercialize the FGF-5 inhibitor hair growth technology developed at Japan's National Institute of Advanced Industrial Science & Technology (AIST).

Advangen Inc. has since developed a range of hair loss prevention lotions and shampoos based on the company's FGF-5 inhibition technology and commenced sales of its first product in Japan in 2007. The market response to Advangen's products has been outstanding and more than 700,000 bottles of the products have been sold since in Japan.

In addition to the current technology Advangen has been actively involved in research and development of additional hair growth products, including new FGF-5 inhibitors. The scientists at Advangen have deep knowledge and experience in developing hair loss products. They understand the requisite animal models and have laboratory facilities to test compounds for in vitro anagen activity (growth promoting) of any compound. It has collaborations with research institutes and has been generating new intellectual property with the view to filing new patents.

In late 2012 Advangen secured Chinese import permits for its Jo-Ju® and Lexilis® branded lotions and shampoos. China is expected to become the most significant market for Advangen's products, and discussions have commenced with several potential distributors to achieve maximum sales. The challenge is to find the most suitable partner that can not only secure strong market penetration through their distribution network, but is also willing to fund marketing costs.

Cellmid has been looking to boost its resources, both expertise and access to capital, since 2010, when the company discovered that midkine is a potent hair growth factor in animals. The Company filed patents around this new intellectual property and has been looking for alternatives to funding the product development program.

An agreement was signed between Advangen and Cellmid (Advagen International Pty Ltd) in late 2010, and amended in 2011, which granted Cellmid manufacturing and distribution rights to Advangen's products in Australia, Europe and the USA. According to this agreement Cellmid was to pay a royalty on sales of the évolis lotions.

Cellmid has successfully transferred the FGF-5 inhibitor technology to Australia and launched its TGA listed évolis® brand of hair growth products in the pharmacy market in late 2012. The Company has also commenced discussions with potential distributors in its territories.

Following the acquisition Cellmid product sales will not be subject to a royalty. Furthermore, its raw material costs on évolis® lotions will be reduced providing for greater profitability.

## **Cellmid Limited (ASX: CDY)**

Cellmid is an Australian biotechnology company developing innovative novel therapies and diagnostic tests for inflammatory diseases, heart attack and cancer. Cellmid holds the largest and most comprehensive portfolio of intellectual property related to midkine and midkine antagonists globally. The Company's most advanced development programme is for the treatment of inflammatory disorders and cancer using its large portfolio of anti-midkine antibodies.

Elevated midkine concentration in the blood and other body fluids is strongly indicative of cancer. Cellmid is commercialising midkine as a biomarker for cancer diagnosis. The first product with midkine as one of the markers, CxBladder, was launched in the US in early 2013.

In 2010 Cellmid set up a dedicated subsidiary, Advangen International Pty Ltd, for the development of midkine for hair growth. Through this subsidiary, the Company acquired exclusive rights in certain territories to a range of hair growth products utilising FGF-5 inhibition technology. The products have since been successfully listed with the TGA and launched on the Australian pharmacy market. The Company intends to expand the distribution of these products internationally in the future.