

ASX ANNOUNCEMENT

CELLMID NOTES TO THE APPENDIX 4C

- **Strengthened balance sheet:** Cellmid enters Q2 FY2020 in a strong cash position, with positive operating cashflow of \$408K in Q1 FY2020 and a cash balance of \$3.1 million at the end of September. The 14 October 2019 placement of \$1.5 million and proceeds from current share purchase plan are in addition to this cash reserve.
- **Operating profitability in September:** Cellmid was profitable at the operating level in September and the Company is on track to reach profitability in the consumer health business in FY2020.
- **Expansion of distribution channels:** In Q1 2020, Cellmid expanded its distribution footprint with new agreements in South Korea with K2B Co Ltd, in Europe with leading European beauty retailer, Douglas GmbH, and in China with Aeon International.
- **Investment in direct to consumer sales:** Cellmid continued to invest in e-commerce with an upgrade to user experience of the mobile transaction site, the source of 90% of the direct to consumer sales.

SYDNEY: Wednesday, 23 October 2019: Cellmid Limited (ASX: CDY) provides the following notes to its Appendix 4C Quarterly Cash Flow report for the first quarter of the 2020 financial year (Q1 FY2020). Cellmid generated \$1.38 million in sales in Q1 FY2020, on par with the previous corresponding period (Q1 FY2019: \$1.4 million). Significant September orders to Neiman Marcus and China are fulfilled in October and they will show in the Q2 FY2020 revenue.

The cash receipts of \$2.6 million in Q1 FY2020 include payment from the June sales event with TV shopping channel QVC in Japan, as foreshadowed in the previous quarterly cashflow statement, together with the \$840K R&D tax credit. As a result, Q1 FY2020 had two cash flow positive months (July and September).

Product manufacturing and operating cash outflows increased to \$1.27 million in Q1 FY2020, up from \$645K in Q4 FY2019 due to the ramp up of supply to fill current and new distribution channels.

Distribution update

Our distribution footprint expanded significantly during the first quarter of FY2020 and we continue to see strong demand for our products from international distributors.

- In **Australia**, the full range of evoliss® Professional products have been launched on 24/7 TV shopping channel Openshop (ASX announcement 14 October 2019). The same product range was launched in Germany by Douglas GmbH and will be sold by cross-border e-commerce group Habesul in China (ASX announcement 1 October 2019). Distribution agreement was also signed with TV shopping channel participant K2B in Korea (ASX announcement 6 August 2019).

- In the **USA** the partnership with Neiman Marcus expanded to 30 stores during the period, currently representing the most significant source of monthly revenue in this market. In August 2019 we received the first orders from retailers Beauty Collection, and signed supply agreements with Rymax and Macys.com. In addition, we have recently signed an agreement with Dermstore.com, one of the largest online retailers in the US, with orders from January 2020.
- In **Japan**, QVC Japan remained a significant source of revenue during Q1 FY2020 with the next TSV (Today's Special Value) day to be held on 24 November. Chinese exports of Lexilis® and Jo-Ju® continues to deliver growth in these otherwise mature brands. Japanese e-commerce activity for the evolis® Professional products commenced during the quarter with promotional campaigns starting from November 2019.

Manufacturing and new product development

Formulation development and manufacturing of the evolis® STYLE AND TREAT dry shampoo was completed in the US during Q1 FY2020. This new product will be first launched in Neiman Marcus. The products are currently being shipped to Australia with an anticipated launch here in late-November.

Manufacture of the Jo-Ju® branded lotions for the November 2019 TSV on QVC Japan was initiated in Q1 FY2020 in addition to the manufacture of significant travel and sample products for e-commerce activations. As a result, cash outflows from product manufacturing commitments increased to \$1.27 million in Q1 FY2020 (\$645K in the previous quarter). Administrative and corporate cash outflows were significantly lower in Q1 FY2020 at \$94K as a result of timing of payments.

Cellmid continues to have marked variation in its quarterly cashflows, with the strongest sales months in Q2 and Q4. Operational efficiencies have been implemented and aggressive expansion of the distribution continued during Q1 FY2020 as we plan for further revenue growth in the Company's consumer business in FY2020.

Cellmid CEO, Maria Halasz said "Our recent capital raising has significantly strengthened our balance sheet as we head into our peak sales quarter in Q2. Our new distribution channels will continue to drive top-line revenue in FY2020 and beyond and we are now well positioned to fund the consumer business through to operating profitability in FY2020."

Lyramid

Preclinical development and partnering activities in relation to the midkine assets intensified during the quarter as CEO Bart Wuurman continued to engage with potential partners. The Company will provide an update to the market on specifics in due course.

END

CONTACT

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Cellmid Limited (ASX: CDY)

Cellmid is an Australian life sciences company with a consumer health business and biotech assets in development. Advangen is Cellmid's wholly owned subsidiary engaged in the development and sale of first in class, best in class, clinically validated anti-aging products for hair, skin and body. Advangen has a range of FGF5 inhibitor hair growth products which are sold in Australia, Japan, USA and China. Advangen has a rich portfolio of hair growth and anti-aging hair care assets which include formulations of products on market, trademarks, patents and patent applications, proprietary assays and manufacturing processes. For further information, please see www.cellmid.com.au and www.myevolis.com.au.

Cellmid also has two wholly owned subsidiaries, Lynamid and Kinera, which develop innovative novel therapies and diagnostic tests for fibrotic diseases, cancer and ischemic diseases of the heart. Cellmid holds the largest and most comprehensive portfolio of intellectual property relating to the novel targets midkine (MK) globally.

Forward looking statements

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

CELLMID LIMITED

ABN

69 111 304 119

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,601	2,601
1.2 Payments for		
(a) research and development	(206)	(206)
(b) product manufacturing and operating costs	(1,270)	(1,270)
(c) advertising and marketing	(339)	(339)
(d) leased assets	-	-
(e) staff costs	(1,073)	(1,073)
(f) administration and corporate costs	(94)	(94)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(35)	(35)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	840	840
1.8 Other (provide details if material)	(18)	(18)
1.9 Net cash from / (used in) operating activities	408	408

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	84	84
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	84	84

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,082	3,082
4.2 Net cash from / (used in) operating activities (item 1.9 above)	408	408
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	84	84

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.5	Effect of movement in exchange rates on cash held	(466)	(466)
4.6	Cash and cash equivalents at end of quarter	3,108	3,108

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,108	3,108
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,108	3,108

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	-
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
NIL		

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
NIL		

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,370	1,370
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
<u>Australian Facilities</u>		
Hunter Premium Funding A\$90,000	Interest Rate 5.20%	Unsecured
<u>Japanese Facilities</u>		
Keiyo Bank Ltd JPY90,746,000 (A\$1,249,000)	Interest Rate 1.50%	Unsecured
Chiba Bank Inc. JPY2,318,000 (A\$32,000)	Interest Rate 2.10%	Unsecured

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	(500)
9.3 Advertising and marketing	(500)
9.4 Leased assets	-
9.5 Staff costs	(1,100)
9.6 Administration and corporate costs	(250)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows (not including cash inflows from sales)	(2,550)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	NIL	NIL
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

Date: 23 October 2019

(CEO / Managing Director)

Print name: Maria Halasz

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.