

ASX ANNOUNCEMENT

CELLMID APPENDIX 4C – Q1 FY2022 BUSINESS ACTIVITY

- **Acquisition of BLC Cosmetics Pty Ltd (BLC):** Cellmid signed an agreement in September to acquire 100% of the shares of BLC for \$3 million in upfront payment (Tranche 1) and a potential earn out (Tranche 2) subject to an increase in BLC's profitability (ASX announcement dated 16 September 2021). Tranche 1 will include the issuing of shares, which will be subject to shareholders' approval at a general meeting to be held virtually on 22 October 2021.
- **On track for operational profitability in FY2022:** Despite the challenges and disruption due to COVID-19 Cellmid remains on track to achieve operational profitability in FY2022 through organic revenue growth associated with its improved e-commerce, new product launches, and distribution of its evol^{is}® and Jo-Ju® branded products into China. The Company's profitability prospects are also expected to improve materially through the BLC acquisition.
- **Launching of new US website.** As previously foreshadowed the Company launched its new US evol^{is} brand website in August (www.evolisproducts.com) following the successful launch of the Australian website in June 2021.

SYDNEY, Wednesday, 20 October 2021: Cellmid Limited (ASX:CDY) (the Company) provides the following business activity report for Q1 FY2022.

Commentary on Q1 FY2022 Cashflow

The Company's cash balance as of 30 September 2021 was \$6.70 million compared with \$6.73 million on 30 June 2021¹. Receipts from customers totaled \$2.23 million, up from \$2.1 million in Q1 FY2021. The underlying quarterly operating cash outflow was \$76K (down from \$1.45 million in Q4 FY2020). Whilst payments made in relation to raw materials have increased, all other cash outflows including employment, advertising, and admin payments, remained on par with pcp and remain even throughout the year unlike cash receipts, which are subject to strong seasonality. Related party payments totaling \$166K have been made during the quarter comprising of executive and non-executive directors' fees and salaries for the board members. Cellmid received \$83K in cash in government grants in relation to the COVID-19 pandemic.

Acquisition of BLC

The Company signed a Share Sale Agreement with HGL Limited (HGL) on 16 September to acquire 100% of the shares in BLC, the exclusive Australian and New Zealand distributor for a range of prestige international antiaging brands (ASX announcement 16 September 2021). The acquisition is highly synergistic and is expected to result in increased revenue and cost savings at group level. BLC is a profitable company with normalised revenue of \$7.4 million and EBITDA of approximately \$700K for the 12 months ending 30 June 2021².

¹ All figures quoted in the Business Activity Report are unaudited and may change subject to audit adjustments.

² Normalised revenue excludes COVID-19 government assistance and includes three months of FY2020 and nine months of FY2021 results as BLC's financial year runs from 1 October to 30 September.

The acquisition will be paid in two tranches; Tranche 1 will include the payment of \$3 million (\$1 million in cash and \$2 million in shares priced at 6.1c). Tranche 2 may also be payable if BLC's organic EBITDA will increase in 2022 (for the full year ending 30 September 2022). The issuing of Tranche 1 shares is subject to shareholders' approval at the general meeting to be held on 22 October 2021. The directors of Cellmid unanimously support the issuing of the shares to HGL and recommend that shareholders vote in favour of the resolution.

Subject to approval shares to HGL are expected to be issued, and the \$1 million cash will be paid, by the end of October 2021. The transaction will have an effective date of 1 October 2021. Since the signing of the agreement the BLC and Cellmid teams have commenced preparations for the integration of the businesses including implementation of new revenue opportunities and cost savings.

Advangen Pty Ltd

Revenue for Q1 FY2022 was \$942K down 16% from Q1 FY2021 (\$1.1 million) as a result of ongoing disruptions due the COVID-19 pandemic in all jurisdictions. Most significant contributor to the drop in revenue was the US, where sales were down 70% to \$64K due to significant reduction in staffing and operations, directly related to the pandemic. Expenses have also been 92% lower, delivering an operational profit for the US business for Q1 FY2022. Australian consumer health revenue was \$399K (Q1 FY2021: \$466K) and Japanese revenue was \$479K (Q1 FY2021: \$582K).

Significant changes in monthly and quarterly sales are expected to continue in the near term. There is also seasonality with highest revenues normally being observed in Q2 and Q4 in any financial year, and lower revenues expected in Q1 and Q3. The Company's most significant sales channel, QVC television shopping, traditionally delivers 70% of its annual sales during the months of December and June. Sales to China are expected to increase, adding to the large fluctuations in month-to-month revenue. The Company's growing e-commerce business and the BLC acquisition are expected to deliver more even revenues across the financial year.

Manufacture of the Company's first hair loss supplement, *Let There Be Hair*, has been completed and the e-commerce launch is planned for November 2021. Cellmid shareholders will be offered priority access to the products before the official launch.

Lynamid

Lynamid Limited (Lynamid), the exclusive licensee of Cellmid's midkine intellectual property portfolio, is expected to be acquired by Roquefort Investments PLC (LSE: ROQ, Roquefort) in the coming weeks. Details of the potential acquisition are outlined in the announcement made to the London Stock Exchange on 29 September 2021 by Roquefort.

Cellmid has licensed its midkine intellectual property portfolio to Lynamid in 2019, at the time its wholly owned subsidiary, in an arm's length transaction, to fully exploit their commercial potential. Cellmid subsequently sold all of its shares in Lynamid, effective on 1 January 2021, to Provelmare Holdings SA (Provelmare), who has been providing funding for the midkine research and development program since then. The terms of the sale of the Lynamid shares have been provided to the ASX in an announcement dated 29 April 2021.

The Company will retain its share of any future upside in the portfolio through the intellectual property license between Cellmid and Lynamid, signed on 1 August 2020, which provides for a royalty of 4% payable to Cellmid on net sale of products developed and sold and a royalty of 8% payable to Cellmid on net sub-licensing revenue.

COVID-19 update

Cellmid's employees are either fully vaccinated or will receive their final vaccine dose on or before 31 October 2021, with all staff returning to work at the Company's offices from 1 November 2021. Additional safety measures have been implemented to mitigate the risk of infections. With skill shortages persisting, and a more competitive job market, it is expected that recruitment of new staff will remain challenging.

Revenues in Q1 FY2022 have been affected by the lockdown in NSW and VIC. As the states are opening for business some of the sales channels are likely to experience increased demand for the Company's products (hair salons, beauty salons and pharmacy). This is particularly positive for the recently acquired BLC brands, as pent-up demand for beauty services is expected to result in increased sales.

The Company has increased its raw material orders and inventory levels to mitigate the risks associated with potential supply chain issues including longer manufacturing and shipping timelines.

Approved for release by the Board of Directors.

End
Contact:
Maria Halasz, CEO
T +612 9221 6830
 @mariahalasz

Cellmid Limited (ASX: CDY)

Cellmid is a health and beauty-tech business growing shareholder value through the global distribution and sales of its proprietary brands of differentiated, clinically validated anti-aging solutions. Advangen Limited 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. For further information, please see www.cellmid.com.au and www.evolisproducts.com.au.

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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity
CELLMID LIMITED
ABN
69 111 304 119
Quarter ended ("current quarter")
30 SEPTEMBER 2021

Consolidated statement of cash flows	Current quarter (3 months) \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,227	2,227
1.2 Payments for		
(a) research and development	(45)	(45)
(b) product manufacturing and operating costs	(528)	(528)
(c) advertising and marketing	(193)	(193)
(d) leased assets	-	-
(e) staff costs	(814)	(814)
(f) administration and corporate costs	(798)	(798)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid	(3)	(3)
1.7 Government grants and tax incentives	83	83
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(76)	(76)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(38)	(38)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(38)	(38)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	261	261
3.6	Repayment of borrowings & leasing	(185)	(185)
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	76	76
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,728	6,728
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(76)	(76)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(38)	(38)

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	76	76
4.5	Effect of movement in exchange rates on cash held	5	5
4.6	Cash and cash equivalents at end of period	6,695	6,695

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	1,285	1,582
5.2	Call deposits	5,038	5,038
5.3	Bank overdrafts	372	108
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,695	6,728

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	166
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	901	901
7.2	Credit standby arrangements	372	372
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,273	1,273
7.5	Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p><u>Japan</u></p> <p>Working capital financing \$372,208 (JPY 30.0M) unsecured and at call.</p> <p>Unsecured 10 year loan with Keiyo Bank; \$757,841 (JPY 61.1M) at 1.20% - 1.50% p.a with various maturity dates:</p> <ul style="list-style-type: none"> • JPY 12.0M – 25 September 2024 • JPY 25.0M – 25 March 2025 • JPY 24.1M – 12 March 2028 <p><u>Australia</u></p> <p>Insurance Premium Funding with Attest Finance Pty Ltd; \$143,277 at 4.04% payable by 30 April 2022.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(76)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,695
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,695
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	88.1
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date:20 October 2021.....

Authorised by: **Audit Committee – Cellmid Limited**.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.