CELLMID

2019
ANNUAL REPORT

Cellmid Limited (ASX:CDY)
Annual Report
ABN 69 111 304 119

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

T: +61 2 9221 6830
F: +61 2 9221 8535
E: info@cellmid.com.au
W: www.cellmid.com.au

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CHAIRMAN'S LETTER

Dear Shareholder,

It is my pleasure to present to you the 2019 Annual Report. Both the consumer health business and the midkine related biotechnology business have progressed well during the year, the former to the point where profitability is eagerly anticipated in FY2020.

With this development we believe it is now timely to focus on separating the consumer health and biotechnology assets, in order to unlock shareholder value in both businesses.

The Company's évolis® anti-aging hair care product range is now ideally positioned in the burgeoning market for clean and efficacious beauty products, in which consumer behaviour is clearly shifting from "big name" brands to products with clinically validated scientific credentials, an authentic story, and a strong relationship between the brand and the customer. The market appeal of the expanded range is evidenced by strong revenue growth for the year.

Growth was particularly strong in Japan, and pleasingly profitable. Sales doubled in the USA, and are poised for further substantial growth following our relatively heavy investment in retail partnerships in this important market. Sales were weaker in our home market of Australia, although we are confident of further growing this market after expanding our e-commerce, digital marketing, and social media infrastructure and capability; and advancing negotiations with a national distribution partner.

We remain poised to penetrate important new markets in China and Korea, where we have already entered into exclusive distribution agreements with well-credentialled partners and await only the requisite regulatory approvals. Based on the success of our QVC distribution channel in Japan, we are not surprisingly excited about the prospect of working with QVC China, an important component of our Chinese strategy. Both the Chinese and Korean markets offer the potential for transformative revenues over the next two years. Planning to enter other new markets, in both Asia and Europe, is also well advanced, with EU registration for importation of évolis® Professional products into all EU countries, including the UK, already in hand.

The first patent protection for the technology which underpins the évolis® formulation was forthcoming in April, with the European Patent Office issuing an intention to grant; a promising sign for the successful grant in other growth markets such as USA, Japan and China. Patent grant will strengthen the Company's position in ongoing negotiations with retail and distribution partners in Europe and other jurisdictions, as well as add commercial value to the évolis® brand.

Together with the anticipated revenue growth, we have worked hard throughout the year to implement effective cost management, which is an essential component in delivering profitability in FY2020. In addition, we have during the year filled the important roles of Sales Director and Marketing Director in our Sydney Head Office, and Chief Operating Officer in our USA business. All these roles have attracted highly qualified and experienced professionals who have quickly embraced the exciting potential of our évolis® range of products. These appointments together with Ko Koike, our outstanding Managing Director in Japan, mean we have never been better positioned to deliver on our growth strategy.

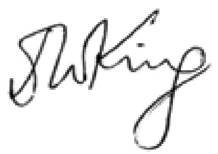
With regard to the Company's midkine assets, commercialised by wholly owned subsidiary Lyramid, there is a growing body of evidence from research around the world that midkine plays an important, if not critical role in the development of a wide range of diseases. During this last year there were important publications of new findings on the role of midkine in the development of yet more disease indications - in a rare kidney disease (FSGS) and in auto-immune myocarditis. These studies also demonstrated the efficacy of midkine antibodies in mitigating the diseases.

It is the very wide range of disease indications in which midkine is implicated which is at the core of the conundrum on how best to extract value from the Company's intellectual property assets around this protein. As a precursor to separating or consumer health and biotech businesses, as foreshadowed in my opening, our focus has been on completing clinical development plans in our lead indications – myocarditis, cancer, fibrosis, chronic kidney disease and associated conditions – so that we can activate partnering discussions. The midkine assets are currently being packaged with a view to securing clinical development partners, or dedicated funding into Lyramid.

In June this year, as announced on the ASX, we were fortunate indeed to secure the services of Bart Wuurman, a highly accomplished biotech CEO, to head up Lyramid. Bart has over 30 years' experience in innovative drug development, biotech financing, business development and licensing; he is already accelerating our partnering discussions and identifying new opportunities to more fully exploit our extensive midkine assets in readiness for a structural separation of the businesses.

Our progress during the year would not have been possible without the exceptional efforts of our existing and newly recruited staff members who, without exception, have worked tirelessly and with great professionalism to progress and grow our businesses; none more so than CEO Maria Halasz. It is disappointing of course that the progress we have made is not reflected in the share price performance, but we are optimistic that this will be remedied with the initiatives undertaken during the year.

I also extend my sincere thanks to my fellow board members for their wise counsel and guidance throughout the year. Finally, I extend the Board's thanks to all shareholders for their support.



David King
Chairman

CEO REPORT

Dear Shareholder,

It is my pleasure to report on the results of this 2019 financial year. This has been a year of investment into our people, operations and systems, our intellectual property assets as well as in our sales and distribution channels as we prepare to achieve operational profitability for the consumer business in FY2020 and the separation of our consumer health and research activities.

The $10 million capital raising in September 2018 allowed us to gear up for growth by getting the right people, systems and channels in place during the year. We have cleaned up our balance sheet by repaying a substantial loan, implemented a share buy-back and have successfully navigated through a year with many new partners and collaborators.

Importantly, the year marked accelerated sales growth with a 30% increase in consumer sales to $7,338,967 (FY2018: $5,647,930). This has been especially pleasing as most of our new channels have not come online until the latter part of the reporting year. Total revenue and other income came in at $8.347,184, a 22% uplift from last year (FY2018: $6.834,924).

In addition to the revenue in Advangen Limited, Cellmid also received $807,972 from the Australian Tax Office under the R&D Tax Incentive Scheme. This funding has been crucial for the Company to continue its development of the high value midkine assets.

Cellmid reported a net loss after tax of $5,909,557 million in FY2019, up 58% form the previous financial year (FY2018: $3,732,615 million loss). This included a significant one-off expenditure of $2,608,371 relating to the litigation with Ikon. Operating losses were $3,042,031 in the current year, compared with $2,714,117 in FY2018, reflecting the significant investment we have made into our sales channels and building a global sales and marketing team. We expect this investment to return appropriate dividends in the coming months.

Importantly, our consumer health business continues to show operational improvements. Our operating losses this financial were down to $691,527 for the segment from $1,226,334 in FY2018, a 44% reduction.

During the first half of FY2019 we reviewed the business and assessed the strengths and weaknesses of our consumer health and biotech portfolios. The result of the review was the Strategy Update announced to the market in February 2019, where we set out two key initiatives; operational profitability for our consumer health business in FY2020 and separation of the two asset portfolios by the end of 2020.

In order to deliver on these, we set out six key measurable strategic objectives; to diversity revenue sources, expand our e-commerce capabilities, build a global leadership team, secure supply chain and improve efficiencies, as well as put the structure in place for the separation of the biotech assets and embark on an active partnering program.

It is my pleasure to report that we have advanced significantly in these six strategic objectives and we are on schedule to achieve the targets of our Strategy Update.

ADVANGEN LIMITED

Our consumer health business, Advangen, operates in one of the fastest growing beauty segments; anti-aging hair care. Our FGF5 inhibitor hair products continue to lead the market with novel technology, proof of clinical efficacy and clean and environmentally friendly formulations.

Retail is a fast-changing environment, where traditional rules no longer apply. In the past, success of a new brand could be measured by how many retail outlets would stock them; today the fastest growing brands in beauty and health have no brick and mortar retail presence at all.

We are prepared to move with the direct to consume wave; our products and business are ideally suited to having a close relationship with our customers. We fulfil a growing desire for authentic, efficacious and clean products, that can be most effectively communicated by direct contact with our customers.

We have accelerated our investment into e-commerce this year and launched a brand new, commercial platform in February 2019. Since then, we have partnered with specialists and implemented AfterPay, introduced auto-replenishment and a customer rewards program.

Our 'back end' has gone through significant automation too, with linking our accounting and fulfilment directly to the e-commerce platform for seamless sales management. Importantly, we have been working with a talented digital marketing agency and most recently appointed a social media specialist to assist with growing our evolis® tribe.

Our key consumer platforms are Facebook and Instagram, but we keep a close relationship with our customers through regular emails. Although already seeing great results from the hard work by our team, including sales going up 400% in a few months, this is just the beginning. We have much more to do in the way we perfect the customer experience from the first time they enter our website to the time they become regular customers.

<u>Advangen Inc., (Japan)</u>

Sales in Japan were up 40% to $5,929,848 during the financial year (FY2018: $4,230,761). Operational profits reached $1,656,427, a 133% increase on the $711,927 profit achieved in FY2018. The single largest source of product revenue remained the omnichannel retail group, QVC Japan, during the reporting period with just under $3 million in sales.

Chinese export of the heritage Lexilis® and Jo-Ju® brands has also increased during the financial year contributing to the record revenue. Working with two distributors, we have also been able to establish a highly profitable bulk business into China.

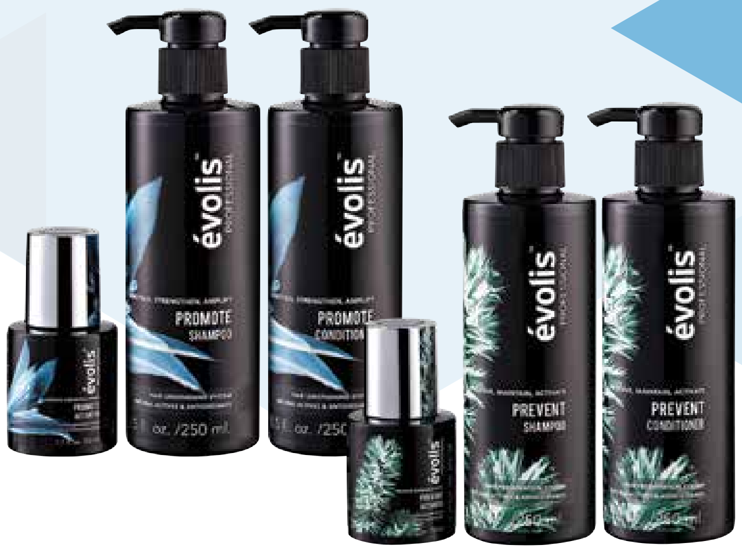
The évolis® Professional anti-aging haircare ranges have been launched in Japan at influencer and public relations events. Since the end of the reporting period the Japanese evolis® website and social platforms have also come to life. In Japan, material sales from evolis® are expected from e-commerce, similarly to other markets, while pharmacy and salon sales will remain modest as we continue to focus our investments into our direct to consumer channels.

<u>Advangen International Pty Ltd (Australia)</u>

Our Australian operations carry the responsibility for the local business but also for international business development. To that extent expenses incurred include a significant portion of global business development plus supporting the USA and Japanese operations.

The most significant development for the financial year has been the building of a sales, marketing and operational team that can deliver global growth. In addition, we have invested into our e-commerce capabilities, and brought on partnerships that are expected to make this channel a significant revenue earner.

CEO REPORT CONTINUED



We have reviewed our Australian distribution during the year and cancelled discounting campaigns that were unprofitable. Whilst this resulted in reduced sales, our channels became more profitable. Due to these factors reported sales were down in Australia by 18% to $993,748 (FY2018: $1,216,021) . Our losses have also gone down, even though our investment in e-commerce and our marketing team increased significantly, with losses of $1,495,001 (FY2018: $1,671,790). We expect e-commerce to become increasingly important to the Australian sales and we will continue focus on this channel.

We have been working with Fukangren, our Chinese distribution partner for evolis®, on our regulatory approvals during the reporting period. We filed the first round of applications and have received periodical feedback and further requests to add to the submission. The process has been slow and onerous as expected when we signed the distribution agreement with Fukangren. However, once successful, our evolis® pharmacy products will be one of two approved imported topical hair loss tonics on the market representing significant marketing advantage.

In addition to China, we have been pursuing other markets including Asia and Europe. We signed a distribution agreement for Korea with marketing company, K2B, in August 2019. It is expected that after the relatively short regulatory period we will start selling products into Korea in early 2020. There is a significant demand in Korea for clinically validated and clean products, such as evolis®, especially from the younger, look and fashion-conscious Korean audience.

<u>Advangen LLC., (USA)</u>

Sales have doubled during FY2019 in the US and we have closed the year with $415,371 revenue (FY2018: $205,604). Our losses were up at $852,954 (FY2018: $266,468), as we have increased investment into our retail channels as well as built an inhouse team of sales, marketing and operational experts. Our significant investment into our US testing, PR and branding activities has of course benefited the entire Group, not just the local business.

Our public relations activities resulted in brand mentions in publications such as Forbes, Allure, New Beauty, msn.com and Readers Digest representing approximately 120 million potential impressions through their readers.

Our partnership with premium retailer Neiman Marcus continued to strengthen during the financial year and as of the end of August 2019, we are now ranged in 24 Nieman Marcus stores with the full collection of evolis® PROMOTE, REVERSE and PREVENT.

Now that we have cemented our position in the US as a premium anti-aging hair care brand our major opportunities will come from e-commerce. However, accessing hair salons via a network of premium distributors and scaling into other retailer partnerships we have secured since the end of the financial year will remain important.

LYRAMID LIMITED

It seems that all our activities, drug development and consumer health, converge around dealing with the side effects of aging. As we take a step back and look at where our midkine antibodies have been most effective, they seem to stand out as promising agents to halt the chronic inflammatory processes that result in aging and age-related diseases such as cancer, inflammatory and bone disorders.

With all the synergies between Lyramid and Advangen, they are significant differences which make operations more complex than feasible for a relatively small organization. For that reason, our goal remains to create an effective structure for the separation of our biotech and consumer health assets.

With the recent appointment of Bart Wuurman as CEO of Lyramid our biotech portfolio is actively being prepared for partnering. This is being helped by data generated in inflammatory kidney disease (FSGS) and myocarditis during the year.

The value we are likely to derive in Lyramid from a partnership or licensing deal is largely determined by the quality of data we have and will generate with our midkine antibody portfolio in relevant therapeutic indications. Therefore, it was exciting to complete our collaboration with the Westmead Research Institute and demonstrate efficacy of our lead antibody, CAB102, in FSGS (Focal Segmental Glomerulosclerosis) in September 2018.

The study has shown that CAB102 alleviated damage to the kidney and preserved kidney function at least as well as its precursor murine antibody. Whilst our application for orphan designation was unsuccessful during the year, this was due to the reclassification of FSGS to non-orphan indication by the FDA and does not affect the value of the data generated.

Other exciting developments have been published in inflammatory heart disease by our collaborators at the Ludwig Maximillian University. They have been able to show for the first time that midkine promotes cardiac muscle inflammation associated with the sometimes-fatal disease, myocarditis. Importantly, they have been able to demonstrate the mechanism of action for midkine in these conditions.

Our midkine intellectual portfolio has also increased during the year with newly granted US and European patent titled "Antibody recognizing N-domain of midkine". This brings our total patent portfolio to 58 granted patents, re-enforcing our leadership in midkine intellectual property.

With the sharp focus on partnering our midkine assets, and an improved operational performance in our consumer business, we are well prepared to execute on our objectives of operational profitability for our consumer business in FY2020 and separating Lyramid and Advangen Limited by the end of 2020.

I would like to thank our dedicated team, who delivered record revenue for our consumer business, and progressed our midkine portfolio. I am grateful for the support and contribution by our board members, especially our Chairman, Dr David King. Finally, I would like to thank our shareholders for their support.

Maria Halasz

Maria Halasz
CEO and Managing Director

DIRECTORS' REPORT

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 2019.

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, with focus on governance issues in publicly listed companies.
Interest in shares and options	Shares: 200,000 directly held Shares: 1,200,000 indirectly held
Special responsibilities	Member of the Audit and Risk 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, African Petroleum Corporation, Tap Oil Ltd and Renergen Ltd.

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	26 years' experience in life sciences working in executive positions in private and public companies, then managing investment funds and later holding senior positions in corporate finance specialising in life sciences. Maria has been CEO and Managing Director of Cellmid since April 2007.
Interest in shares and options	Shares: 420,000 directly held Shares: 1,599,938 indirectly held
Special responsibilities	Managing Director and Chief Executive Officer
Other directorships in listed entities held in the previous three years	None

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: 110,000 indirectly held
Special responsibilities	Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None

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: 12,500 directly held Shares: 52,500 indirectly held
Special responsibilities	Member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None

Dr Martin Cross	**Director (Non-executive)**
Qualifications	PhD. Microbiology, Aberdeen University Scotland. Fellow of the Australia Institute of Company Directors.
Experience	Over 30 years' experience working in the pharmaceutical and biotech industries primarily in all aspects of marketing, selling and business management. This included global roles at international Headquarters of AstraZeneca and Novartis. Former Country President for Novartis Australia/NZ, Managing Director for Alphapharm (Mylan) Australia/NZ and Chairman of the Generics Industry Association and Medicines Australia.
Interest in shares and options	Shares: 175,000 indirectly held
Special responsibilities	Member of the Audit and Risk Committee
Other directorships in listed entities held in the previous three years	Non-Executive Director Oncosil Ltd
Other	Non-Executive Director NHMRC National Institute of Dementia Research, Advisor Pursuit Sports Pty Ltd, Advisor University of Technology Sydney (Pharmacy Commercial Advisory Board)

DIRECTORS' REPORT CONTINUED

Mr Dennis Eck	**Director (Non-executive)**	
Qualifications	BSc, The University of Montana	
Experience	40 years senior management experience in the retail sector, providing significant strategic and operational expertise. Mr Eck, a professional investor, has extensive retail experience, from fashion to groceries, including cosmetics and hair salons. As a senior strategist, Mr Eck has helped reshape the operations of several retail businesses delivering outstanding shareholder returns.	
Interest in shares and options	Shares:	5,461,579 directly held
Special responsibilities	N/A	
Other directorships in listed entities held in the previous three years	ULTA Inc., resigned on 16 June 2019	

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

Mr Lee Tamplin	**Company Secretary**
Qualifications	BA (Hons) Financial Services, Bournemouth University United Kingdom, Diploma of Financial Planning, Graduate of the Australian Institute of Company Directors and Member of the Governance Institute of Australia.
Experience	20 years' experience in financial services in both Australia and UK. Company Secretary for several ASX listed, NSX listed and proprietary companies.

Principal activities and significant changes in nature of activities

The Group has operated primarily through its subsidiary companies, Advangen Limited (consumer health product development and sales) and Lyramid Limited (midkine and midkine antibody research and development). In February 2019 the Group released its Strategy Update to the market outlining two key objectives to increase shareholder value; the separation of Advangen and Lyramid by the end of 2020 and achieving operational profitability for Advangen in FY2020.

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

Advangen Limited (Advangen):

During FY2019 Advangen continued with the development and sale of over-the-counter (OTC) and cosmetic products for hair loss and anti-aging hair care using proprietary FGF5 inhibitor technology.

The Group acquired Advangen Inc. in 2013, a Japanese company with a proprietary hair loss technology inhibiting FGF5. Since the acquisition, the Group has improved the technology, rebranded the original products, developed a range of new products under the evolis® brand and built international distribution. During FY2019, Advangen achieved 30% revenue growth increasing sales in all consumer health divisions. Advangen continued with novel product development during the reporting period with new formulations containing additional ingredients for improved efficacy and implemented significant operational efficiencies.

Lyramid Limited (Lyramid)

The Group holds the largest intellectual property portfolio globally around midkine, a protein associated with various disease states, including chronic inflammatory diseases and cancer. During FY2019 Lyramid continued with 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. During FY2019, the Group continued to investigate the most efficient method for targeting midkine and completed further preclinical validation studies using its humanised antibodies in Focal Segmental Glomerulosclerosis (FSGS). In addition, two new humanised midkine antibodies have been developed during the period.

The Group received additional patent coverage for its N terminal binding midkine antibodies in Europe and collaborated with research groups in various clinical indications to increase underlying value of its midkine asset portfolio during FY2019.

Significant Change since the end of FY2019

The Group signed an exclusive distribution agreement with Korean marketing company K2B for the sale of its evolis® hair loss products in August 2019. K2B is expected to market the products, following regulatory approval, through Korean television shopping channels and e-commerce.

2. OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

Operating results

The operations for the Group continued to improve during the 2019 financial year. Revenue and Other Income for the Group increased 22% to $8,347,184 (2018: $6,834,924) during the reporting period, with a 30% increase in Consumer Health revenue to $7,338,967 (2018: $5,652,386). Operating loss was up 12% to $3,042,031 (2018: $2,714,117 loss). An R&D tax credit of $807,973 was received during the reporting period (2018: $1,056,963 including government grants).

Review of operations

The Group released its Strategy Update to investors in February 2019 with two key objectives to increase shareholder value; the separation of Advangen and Lyramid by the end of 2020 and operational profitability for Advangen in FY2020. The Group achieved several key milestones during FY2019 and made the following progress to reach these important strategic objectives in both divisions.

- The Group boosted its senior management team with several new appointments in key sales, marketing and operational functions laying the foundations for a sustainable global business.
- A significant increase in marketing spend resulted in building distribution channels for sustainable revenue growth for the Group's FGF5 inhibitor hair growth products globally.
- Scaling into existing sales channels, such as QVC in Japan and Neiman Marcus in the USA, delivered increased sales for the Group.
- New opportunities, such as e-commerce in Australia, export sales to China and a distribution partnership with PSL in New Zealand, assisted in achieving record revenue for the Group.
- Therapeutic efficacy for the Group's midkine antibodies in FSGS (Focal Segmental Glomerulosclerosis) added significant value to the Lyramid asset portfolio.
- The successful patent application for the N-terminal midkine-antibodies in Europe increased the intellectual property holding of the Group around midkine, adding to the potential application in the treatment of multiple disease indications.
- Internationally recognised industry leader, Bart Wuurman, was appointed as CEO of Lyramid in June 2019 to execute on the midkine development plans and the separation of the consumer and midkine businesses.

i. Advangen Limited

Revenue from the FGF5 inhibitor hair growth and anti-aging hair care products grew 30% during the reporting period to $7,338,967 (FY2018: $5,652,386). The growth was largely the result of an increase of more than 100% in the US sales to $415,371 (FY2018: $205,604) and a 40% increase in Japanese sales to $5,929,848 (FY2018: $4,230,761). Australian sales were down 18% to $993,748 (FY2018: $1,216,021).

Importantly, a vastly improved global e-commerce platform was launched in FY2019, laying the foundations for sustainable revenue growth in the Group's direct to consumer business in Australia, the US and Japan. Repeat customer database increased 400% between the launch of the new www.evolisproducts.com website in February and June 2019 in Australia, the first test site for the new platform.

DIRECTORS' REPORT CONTINUED

Growth in Japan from television shopping channel QVC and export to China

Sales on television shopping channel, QVC, continued to grow during FY2019 with two sales days delivering over $1 million revenue each for the Group (30 November 2018 and 16 June 2019). The Jo-Ju® branded FGF5 inhibitor products for women remain the largest single brand for the Group. A significant uplift in sales was also achieved from the partnership with Chinese distributor, Huana Likang, responsible for selling the Lexilis® branded, and locally packaged bulk supplied products for men.

Building on USA premium retail partnership with Neiman Marcus in preparation to scaling into salons

The Group's retail partnership with Neiman Marcus continued to expand during the reporting period and accounted for the most significant component of revenue growth in the US. Going from e-commerce only to 10 Neiman Marcus stores during FY2019 required a significant investment in sales and operational activities. This was in addition to the 21 soft surroundings stores. The Group's business model in premium retail is to launch each store with an experiential marketing event conducted in collaboration with sales staff from the retail partner. The events have been supported by social and digital advertising conducted in collaboration with Neiman Marcus.

Bloomingdales rolled out its Wellchemist department in 9 of their 65 retail stores up to 30 June 2019, where evolis® is featured both on shelves and on counters. Wellchemist caters for the discerning and health conscious Bloomingdales customer. The Group's ongoing US public relations campaign delivered news on the evolis® technology and brand to approximately 120 million potential readers with over 11 billion potential impressions during the reporting period.

Chinese import permit application progressing for evolis® in the face of changing regulatory environment

Fukangren, the Group's exclusive distributor in China for the evolis® branded tonics and shampoos, has been pursuing regulatory submissions for the products since May 2018. Application for the tonics were submitted in early 2019, with shampoo applications yet to be filed due to the change in responsible regulatory authority in the interim. Subject to receiving the approvals, Fukangren will be required to order minimum product quantities to maintain market exclusivity for the products in China.

European import permits for evolis® and growing e-commerce sales dominated Australian activities

The Group continued to fund international business development activities from Advangen in Australia during FY2019 and, as a precursor to sales in Europe, it secured import permits for all evolis® branded products. One of the key operational objectives, building a substantial consumer data base, received a boost during the period with the launch of an e-commerce platform that is more user friendly and capable of connecting and communicating with customers more effectively. An important measure in achieving operational profitability has been ensuring that unprofitable third-party discounting campaigns were not pursued during the reporting period. Although revenue was down in some of the Australian pharmacy networks as a result, the overall profitability of the channel has improved.

ii. Lyramid Limited

Consolidating midkine related research and development under Lyramid

In preparation to separate the strictly research and development based midkine portfolio from a largely consumer product development and sales driven Advangen, all midkine related patents and other and assets were consolidated in a single subsidiary, Lyramid Limited, in FY2019.

The appointment of Lyramid CEO, Bart Wuurman, in June 2019 was an important milestone in this process, not only as he is eminently qualified to deliver quality partnerships, but he has also brought solid focus to build a clinical development path.

The Group completed a critical pre-clinical program in FSGS (Focal Segmental Glomerulosclerosis) and delivered promising efficacy results for CAB102, one of the humanised midkine antibody drug candidates, in FY2019. CAB102 reduced the area of kidney injury 3-fold compared to control in an Adriamycin induced model of the disease. The work was partially funded by an Australian Government DIIS Innovation connection grant.

The Group's midkine antibody assets have been independently validated by the peer reviewed article "Midkine drives cardiac inflammation by promoting neutrophil trafficking and NETosis in myocarditis" published in the Journal of Experimental Medicine in February 2019. The published data, generated with the Group's midkine antibodies, showed that these antibodies limited not only neutrophil recruitment but also NET (neutrophil extracellular trap) formation, reinforcing their potential for the treatment of inflammatory heart failure.

The Group's intellectual property portfolio currently stands at 58 granted patents, 14 patent applications under examination and one in PCT (Patent Cooperation Treaty) filing stage. Importantly, the Group was granted the European patent "Antibody recognising N-domain of midkine", following an extensive examination period. This is an important patent to the Group as it covers the most effective midkine antibodies with strong potential for clinical development.

3. FINANCIAL REVIEW

Financial position

The net assets of the Group at 30 June 2019 were $5,857,277 ($1,855,172 at 30 June 2018) while current assets increased to $7,233,627 ($4,159,083 at 30 June 2018). With the cash balance of $3,081,924 at 30 June 2019 the Directors believe that the Company will be able to deliver on the its Strategic Plan as outlined in February 2019.

4. OTHER ITEMS

Ikon legal action

On 22 July 2016, Ikon Communications Pty Ltd (IKON) had filed a claim for an amount of $939,055 plus interest pursuant to the services agreement entered into between Group Company Advangen International Pty Ltd (Advangen) and IKON on 15 June 2015, being a claim for invoices which Advangen has not paid to IKON. Advangen defended its position that it is not liable for those unpaid invoices because IKON has breached the services agreement, failed to provide certain contractually required services at all or adequately and engaged in misleading or deceptive conduct that has caused Advangen loss and damage. Advangen filed a cross claim for payments made for services not provided or not properly provided by IKON, plus other loss it says it suffered by reason of IKON's conduct and submitted evidence, including expert evidence, to that effect during the reporting period.

The proceedings were heard in the New South Wales Supreme Court between 10 September 2018 and 23 September 2018. On 2 November 2018 the court handed down its decision that IKON was entitled to its claim plus interest and the cross claim by Advangen was dismissed. In the FY2018 financial accounts an amount was allocated as a contingent liability regarding this matter, and the total costs of $2,608,371, including IKON's claim with interest and costs of both parties have been included in the Consolidated Profit and Loss Statements for FY2019 under the heading 'Legal fees and claim'.

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 2019 financial year.

Dividends paid or recommended

The Company has not paid or declared any dividends during the financial year (2018: Nil).

Events since the end of the financial year

Other than that noted on page 13 there have been no significant events since the closing of the 2019 financial year.

Likely developments and expected results of operations

The Group is focused on building sales of its evolis® branded FGF5 inhibitor hair products by maximising market penetration with a growing product range. Concurrently, the Group is focused on the research and development of its midkine asset portfolio with the view to separate the two businesses.

DIRECTORS' REPORT CONTINUED

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 may be 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 the auditor during the year.

Meetings of Directors

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

	Directors' Meetings		Audit and Risk 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	8	7	5	5	1	1
Ms Maria Halasz	8	8	-	5*	-	-
Mr Bruce Gordon	8	7	5	4	1	1
Dr Fintan Walton	8	8	-	4*	1	1
Dr Martin Cross	8	8	5	5	-	-
Mr Dennis Eck	8	7	-	-	-	-

* 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	31 October 2019	$0.60	100,000
Unlisted options	1 July 2020	$0.60	50,000
Unlisted options	28 September 2021	$0.80	1,000,000
Unlisted options	3 October 2021	$0.80	200,000
Unlisted options	30 July 2024	$0.23	4,250,000
			5,600,000

1,500,000 options lapsed during the financial year ended 30 June 2019 (1,440,000 in 2018) and no options have lapsed since the end of the financial year to the date of this report.

DIRECTORS' REPORT CONTINUED

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
Dr Martin Cross	Non-executive Director	16 October 2017	Current
Mr Dennis Eck	Non-executive Director	26 March 2018	Current
Ms Maria Halasz	CEO and Managing Director	14 April 2007	Current
Mr Koichiro Koike	Managing Director – Advangen Inc.	1 May 2014	Current
Mr Bart Wuurman	CEO - Lyramid	1 June 2019	Current

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
- if and when appropriate, establish 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 cash bonus or incentive payments have been made during the reporting period.

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

	$ 2019	$ 2018	$ 2017	$ 2016	$ 2015
Revenue and Other Income	8,347,184	6,834,924	5,560,121	4,611,108	2,967,562
Operating Profit / (Loss)	(3,042,031)	(2,714,117)	(4,022,577)	(3,130,344)	(3,174,838)
Loss after income tax	(5,909,557)	(3,732,615)	(4,482,273)	(3,498,916)	(3,337,348)

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

	$ 2019	$ 2018	$ 2017	$ 2016	$ 2015
Share price at financial year end	0.17	0.47	0.50	0.66	0.60
Total dividends declared	-	-	-	-	-
Basic earnings per share	(7.77)	(6.74)	(8.79)	(7.60)	(8.60)

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.

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. On 8 November 2018, at the annual general meeting of shareholders, the aggregate remuneration was changed to $400,000, to ensure that the Group can compensate all of its non-executive directors. In FY2019, the Group paid non-executive directors a total of $275,325 ($210,202 in 2018).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to directors are reviewed annually. There has been no increase in individual director remuneration during the period.

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 bonus or short term and 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.

DIRECTORS' REPORT CONTINUED

Remuneration details for the year ended 30 June 2019

Details of the remuneration of the directors and key management personnel ("KMP") 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.

	Short-term benefits		Long-term benefits	Post-employment benefits	Share-based payments	
2019	Cash salary fees $	Employee entitlements $	Employee entitlements $	Superannuation $	Shares $	Total $
Directors						
Non-executive directors						
David King	65,000	-	-	6,175	-	71,175
Bruce Gordon	50,000	-	-	-	-	50,000
Fintan Walton	50,000	-	-	-	-	50,000
Martin Cross	50,000	-	-	4,750	-	54,750
Dennis Eck	-	-	-	-	49,400	49,400
Total non-executive directors	**215,000**	**-**	**-**	**10,925**	**49,400**	**275,325**
Executive directors and KMP						
Maria Halasz*	447,391	21,678	4,583	22,800	185,000	681,452
Koichiro Koike**	216,720	-	-	-	65,814	282,534
Bart Wuurman***	24,000	-	-	-	-	24,000
Total executive directors and KMP	**688,111**	**21,678**	**4,583**	**22,800**	**250,814**	**987,986**

*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.

**Koichiro Koike was an existing employee of the Group in 2018 and was not considered as a KMP.

***Bart Wuurman was appointed as CEO of Lyramid Limited, a wholly owned subsidiary of Cellmid Limited, on 1 June 2019.

	Short-term benefits		Long-term benefits	Post-employment benefits	Share-based payments	
2018	Cash salary fees $	Employee entitlements $	Employee entitlements $	Superannuation $	Shares $	Total $
Directors						
Non-executive directors						
David King	65,000	-	-	6,175	-	71,175
Bruce Gordon	50,000	-	-	-	-	50,000
Fintan Walton	50,000	-	-	-	-	50,000
Martin Cross	35,641	-	-	3,386	-	39,027
Dennis Eck^	-	-	-	-	-	-
Total non-executive directors	**200,641**	**-**	**-**	**9,561**	**-**	**210,202**
Executive directors and KMP						
Maria Halasz*	428,538	18,457	4,696	22,800	-	474,491
Total executive directors and KMP	**428,538**	**18,457**	**4,696**	**22,800**	**-**	**474,491**

^Dennis Eck is remunerated on an equity basis, which was approved at the 2018 Annual General Meeting of the Group.

Directors' and Key Management Personnel (KMP) shareholdings

The number of shares held in the Group during the financial year by each Director and (KMP) of Cellmid Limited, including their related parties, are set out below:

	Balance at beginning of year	Received as part of remuneration	Other changes Pre Consolidation	Consolidation*	Other changes Post Consolidation	Balance at end of year
2019						
David King	1,400,000	-	-	-	-	1,400,000
Maria Halasz	1,573,651	500,000	-	-	(53,713)	2,019,938
Bruce Gordon	75,000	-	-	-	35,000	110,000
Fintan Walton	65,000	-	-	-	-	65,000
Martin Cross	45,000	-	-	-	130,000	175,000
Dennis Eck	2,700,000	130,000	-	-	2,631,579	5,461,579
Koichiro Koike	12,500	144,646	-	-	-	157,146
Bart Wuurman	-	-	-	-	-	-
2018						
David King	24,000,000	-	4,000,000	(26,600,000)	-	1,400,000
Maria Halasz	25,073,025	-	2,250,000	(25,956,874)	207,500	1,573,651
Bruce Gordon	1,500,000	-	-	(1,425,000)	-	75,000
Fintan Walton	800,000	-	500,000	(1,235,000)	-	65,000
Martin Cross	-	-	900,000	(855,000)	-	45,000
Dennis Eck	-	-	-	-	2,700,000	2,700,000
Koichiro Koike	12,500	-	-	-	-	12,500

*On 23 November 2017, the Group completed a twenty to one share consolidation.

DIRECTORS' REPORT CONTINUED

Directors' and 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 2019 remuneration	Consolidation	Balance at end of year	Vested and exercisable at end of year
2019							
David King	200,000	-	(200,000)	-	-	-	-
Maria Halasz	-	-	-	-	-	-	-
Bruce Gordon	100,000	-	(100,000)	-	-	-	-
Fintan Walton	100,000	-	(100,000)	-	-	-	-
Martin Cross	-	-	-	-	-	-	-
Dennis Eck	-	-	-	-	-	-	-
Koichiro Koike	50,000	-	(50,000)	-	-	-	-
Bart Wuurman	-	-	-	-	-	-	-

	Balance at beginning of year	Acquired	Disposed/ Expired/ Exercised/	Received as part of 2017 remuneration	Consolidation	Balance at end of year	Vested and exercisable at end of year
2018							
David King	4,000,000	-	-	-	(3,800,000)	200,000	200,000
Maria Halasz	-	-	-	-	-	-	-
Bruce Gordon	2,000,000	-	-	-	(1,900,000)	100,000	100,000
Fintan Walton	2,000,000	-	-	-	(1,900,000)	100,000	100,000
Martin Cross	-	-	-	-	-	-	-
Dennis Eck	-	-	-	-	-	-	-
Koichiro Koike	50,000	-	-	-	-	50,000	50,000

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	
	2019	2018	2019	2018	2019	2018
	%	%	%	%	%	%
Directors						
David King	100.00	100.00	-	-	-	-
Maria Halasz	72.90	100.00	27.10	-	-	-
Bruce Gordon	100.00	100.00	-	-	-	-
Fintan Walton	100.00	100.00	-	-	-	-
Martin Cross	100.00	100.00	-	-	-	-
Dennis Eck^	100.00	100.00	-	-	-	-
Koichiro Koike	76.80	100.00	23.20	-	-	-
Bart Wuurman	100.00	-	-	-	-	-

^Dennis Eck is remunerated on an equity basis.

Service agreements

The remuneration of the Chief Executive Officer, Maria Halasz, reflects the activities of the two business units, Advangen Limited and Lyramid Limited, within the Group.

On 1 July 2016 a service agreement was signed between the Group and Maria Halasz. Pursuant to this service agreement Maria Halasz's salary component incurred by Cellmid Limited 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 to better reflect her operational responsibilities.

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 approval by shareholders, she may receive performance-based incentives in the future.
- The duration of the service agreement is 3 years. In the event that the parties do not sign a new agreement prior to the expiry of the term, the agreement is automatically extended for 12 months.
- 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.

Equity-based compensation

No equity-based compensation in the form of options over ordinary shares were issued during the year ended 30 June 2019.

On 12 September 2018, equity shares were granted to some executives of the Group under the Employee Incentive Plan and as approved by shareholders at the annual general meeting on 12 November 2018. Ordinary shares were issued under the arrangement with the following conditions attached:

Name	Grant date	Shares issued	Vesting date	Service and performance criteria
Maria Halasz	12/11/2018	500,000	12/11/2018	A cash bonus of $185,000 was awarded to Ms Halasz by non-conflicting members of the Board for achieving profitability of at least one subsidiary of the Company in FY2018. Ms Halasz accepted her bonus in shares in lieu of cash. The fair value at the date of grant was $185,000. The vesting condition of achieving profitability of at least one subsidiary has been met.
Dennis Eck	12/11/2018	130,000	12/11/2018	Vesting condition was previous service as a director without compensation. The accumulated director's fee was to be taken in shares in lieu of cash. The fair value of the shares at the date of grant was $49,400, equivalent to the accumulated unpaid director's fees. The condition of previous unpaid service as a director has been met.
Koichiro Koike	3/10/2018	144,646	12/11/2018	Vesting condition was for operating revenue to reach $5 million in FY2018. The fair value at the date of grant was $65,814. The condition of achieving operating revenue over $5 million in FY2018 has been met.

DIRECTORS' REPORT CONTINUED

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 2019 has been received and can be found on page 64 of the financial report.

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

Dr David King
Director

Dated this 28th day of August 2019

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 2019 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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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019	Note	Consolidated 2019 $	2018 $
Revenue from contracts with customers	3	**7,389,473**	5,712,182
Other income	4	**957,711**	1,122,742
Total Revenue		**8,347,184**	6,834,924
Cost of goods sold		**(2,137,384)**	(2,169,844)
Gross Profit		**6,209,800**	4,600,028
Selling and distribution expenses	5	**(1,714,787)**	(1,418,361)
Research and development expenses	5	**(848,473)**	(619,024)
Administrative expenses	5	**(5,378,421)**	(4,391,963)
Other operating expenses	5	**(1,310,150)**	(884,797)
Operating Profit / (Loss)		**(3,042,031)**	(2,714,117)
Finance costs		**(235,043)**	(473,274)
Legal fees		**(2,608,371)**	(542,794)
Loss before income tax expense		**(5,885,445)**	(3,730,185)
Income tax expense	6	**(24,112)**	(2,430)
Loss for the year after income tax		**(5,909,557)**	(3,732,615)
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**115,798**	106,223
Total comprehensive income for the year		**(5,793,759)**	(3,626,392)
Loss for the year attributable to:			
Owners of Cellmid Limited		**(5,909,557)**	(3,732,615)
Total comprehensive income for the year attributable to:			
Owners of Cellmid Limited		**(5,793,759)**	(3,626,392)
Earnings per share for loss attributable to the owners of Cellmid Limited			
Basic earnings per share (cents)	9	**(7.77)**	(6.74)
Diluted earnings per share (cents)	9	**(7.77)**	(6.74)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019	Note	Consolidated 2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	**3,081,924**	1,607,783
Trade and other receivables	11	**2,286,671**	1,031,346
Inventories	12	**1,618,408**	1,180,731
Other assets	13	**246,624**	339,223
TOTAL CURRENT ASSETS		**7,233,627**	4,159,083
NON-CURRENT ASSETS			
Plant and equipment	14	**800,243**	770,990
Intangibles	15	**1,758,264**	1,818,504
TOTAL NON-CURRENT ASSETS		**2,558,507**	2,589,494
TOTAL ASSETS		**9,792,134**	6,748,577
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**2,426,909**	1,539,742
Loans and borrowings	17	**266,804**	2,007,427
Provisions	18	**214,549**	175,345
TOTAL CURRENT LIABILITIES		**2,908,262**	3,722,514
NON-CURRENT LIABILITIES			
Loans and borrowings	17	**1,019,855**	1,166,447
Provisions	18	**6,740**	4,444
TOTAL NON-CURRENT LIABILITIES		**1,026,595**	1,170,891
TOTAL LIABILITIES		**3,934,857**	4,893,405
NET ASSETS		**5,857,277**	1,855,172
EQUITY			
Issued capital	19	**47,765,837**	38,014,078
Reserves	20	**632,353**	2,595,360
Accumulated losses		**(42,540,913)**	(38,754,266)
TOTAL EQUITY		**5,857,277**	1,855,172

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019	Note	Issued Capital $	General Reserve $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Consolidated							
Balance at 1 July 2018		**38,014,078**	**18,258**	**2,164,497**	**412,605**	**(38,754,266)**	**1,855,172**
Loss for the year		-	-	-	-	(5,909,557)	(5,909,557)
Other comprehensive income / (loss)		-	-	-	115,798	-	115,798
Total comprehensive income / (loss) for the year		**-**	**-**	**-**	**115,798**	**(5,909,557)**	**(5,793,759)**
Transactions with equity holders							
Shares issued – employee share scheme	21	318,414	-	-	-	-	318,414
Shares issued – net of transaction costs	19	9,548,140	-	92,360	-	-	9,640,500
Share buy back		(114,795)	-	-	-	-	(114,795)
Transfer to accumulated losses		-	(18,258)	(2,152,907)	-	2,122,910	(48,255)
Balance at 30 June 2019		**47,765,837**	**-**	**103,950**	**528,403**	**(42,540,913)**	**5,857,277**
Balance at 1 July 2017		**36,715,030**	**18,258**	**2,053,007**	**306,382**	**(35,021,651)**	**4,071,026**
Loss for the year after income tax		-	-	-	-	(3,732,615)	(3,732,615)
Other comprehensive income		-	-	-	106,223	-	106,223
Total comprehensive income for the year, net of tax		**-**	**-**	**-**	**106,223**	**(3,732,615)**	**(3,626,392)**
Transactions with equity holders							
Share-based payments	21	-	-	111,490	-	-	111,490
Shares issued - net of transaction costs (Cash)	19	1,299,048	-	-	-	-	1,299,048
Balance at 30 June 2018		**38,014,078**	**18,258**	**2,164,497**	**412,605**	**(38,754,266)**	**1,855,172**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019	Note	Consolidated 2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		6,399,171	5,038,814
Payments to suppliers and employees		(12,954,633)	(10,293,029)
Interest received		76,116	33,599
Grant income received		807,973	1,056,963
Net cash used in operating activities	21	**(5,671,373)**	(4,163,653)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of non-current assets		**(65,677)**	(107,167)
Net cash used in investing activities		**(65,677)**	(107,167)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		10,111,000	1,326,000
Share buy back		(114,795)	-
Share issue costs, net of tax		(470,499)	(26,952)
Proceeds from loans and borrowings		-	903,477
Repayment of loans and borrowings		(1,987,446)	-
Finance costs		(263,289)	(357,981)
Net cash provided by financing activities		7,274,971	1,844,544
Net increase / (decrease) in cash and cash equivalents held		1,537,921	(2,426,276)
Cash and cash equivalents at beginning of financial year		1,607,783	3,994,641
Effect of exchange rate changes		(63,780)	39,418
Cash and cash equivalents at end of financial year	10	3,081,924	1,607,783

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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 28th August 2019.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. Cellmid Limited is a for-profit entity for the purpose of preparing the financial statements.

These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for certain non-current assets and financial instruments that are measured at re-valued amounts or fair values. All amounts are presented in Australian dollars, unless otherwise noted.

New standards and interpretations not yet adopted by the Group

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 2019. 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 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. As at reporting date, the Group has assessed the impact of the standard and the expected impacts are as follows:

- Increase in assets and liabilities amounting to approximately $907,900 and $907,900 respectively.
- Increase in the loss position on the consolidated statement of comprehensive income in the amount of approximately $4,000. The impact to the profit and loss in the years 2019 to 2021 is expected to increase the expense due to 'front loading' of interest and depreciation expense by approximately $39,000 and in the years 2022 to 2023 the impact to the profit and loss is expected to be a reduction in expense of approximately $38,000.
- It is not expected that there will be any net impact on the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

New and amended standards adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be 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 that are solely principal and interest. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using 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. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

The Group has adopted Accounting Standards AASB 9 and AASB 15 for the year ended 30 June 2019. The Accounting Standards were adopted from 1 July 2018 using transitional rules that allow for comparatives not be restated. The adoption of AASB 9 and AASB 15 did not result in any change to the opening net assets or the opening accumulated losses as at 1 July 2018.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas of assumptions and estimates are:

• R&D Tax Incentives

From 1 July 2011 the Australian Government has provided a tax incentive, in the form of a refundable tax offset of 43.5%, for eligible research and development expenditure. Management has assessed its research and development activities and expenditure to determine which are likely to be eligible under the scheme. For the period ended 30 June 2019 the Group has recorded an item in other income of $807,973 (2018: $1,056,963) based on tax refund received from the government.

• Share-based payment transactions

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 the Black-Scholes method 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 do not have any impact on the carrying amounts of assets and liabilities within the subsequent annual reporting period but may impact expenses and equity.

• Estimated impairment of intangibles

The group tests whether intangible assets have suffered any impairment at each reporting date. The recoverable amount of intangible assets is assessed at its value in use. This calculation requires the use of assumptions.

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 29.

Going concern

For the year ended 30 June 2019, the Group incurred a loss after income tax of $5,909,557 (2018: $3,732,615), experienced net cash outflows from operating activities of $5,671,373 (2018: $4,163,653) and at 30 June 2019 has cash and cash equivalents of $3,081,924.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business including the presumption that sufficient funds will be available to finance the operations of the Group. As is often the case with fast growing companies, the ability of the Group to continue its development activities as a going concern is dependent upon growing revenue in Advangen, further developing the Lyramid business and deriving cash from other sources of revenue such as grant funding. The directors have considered the cash flow forecasts and the funding requirements of the business and will continue to build revenue through scaling into existing channels and opening new market opportunities for the FGF5 inhibitor hair loss products.

The Group made a significant investment into the business in FY2019 and built a highly capable, global management team expected to deliver on FY2020 sales targets. Together with the operational efficiencies already achieved, the Group is well placed to exploit its opportunities in ecommerce and traditional retail.

In addition, the Group is actively pursuing opportunities to deliver a return for its high value midkine assets. With the appointment of new Lyramid CEO, Bart Wuurman, an active partnering program has been put in place. Finally, as in previous years, government grant opportunities for export activities and research and development will also be pursued.

If the Group is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they become due and payable.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cellmid Limited ("the Company") as at 30 June 2019 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Identification of reporting segments

The Group is organised into two operating segments:

• Lyramid Limited; research and development of diagnostics and therapeutics; and

• Advangen Limited; 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 both from a product and geographic perspective. There is no aggregation of operating segments. The CODM primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA" or "Operating Profit/ (Loss)") to assess the performance of operating segments. However, the CODM also receive information about segments revenue and assets on a monthly basis.

The principal products and services of each of these operating segments are as follows (further details on the business of each segment in included on pages 12 to 15 in the Directors' Report of this document):

Lyramid Limited

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

Advangen Limited

• research, development and marketing of hair growth products.

Operating Profit / Loss

Operating profit / loss excludes the effects of significant one-off items of income and expenditure, which are not gained/ incurred in the ordinary course of business of either Lyramid or Advangen, such as legal claim and related legal expenses. It also excludes the effects of equity-settled share-based payments. Corporate expense categories including net finance costs, employee benefits, depreciation and amortisation are not allocated to segments, as this type of activity relates to the Head

Office / corporate function of the Group.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). 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 results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

• assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

• income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

• all resulting exchange differences are recognised in other comprehensive income. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

Revenue recognition

For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from the sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

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

Grants from the government are recognised at the fair value of the cash received. Government grants includes the research and development tax incentive. This represents a refundable tax offset that is available on eligible research and development expenditure incurred by the Group. Government Grants are recognised in profit or loss when the grant is received.

Income tax

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. The Group is tax consolidated in Australia.

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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Earnings per share

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.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less credit losses.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for expected credit loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Inventories

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.

Investments and other financial assets

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 July 2018, the group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Plant and equipment

Plant and equipment is measured at historical cost less accumulated depreciation/amortisation 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 during the financial period in which they are incurred.

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

Depreciation / Amortisation

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. Amortisation of the cost of the Midkine protein asset is calculated on a ug (or mg) basis as the protein is consumed through research activities and/or production of MK Elisa kits.

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%
Midkine	Based on usage

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its 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.

Intangible assets

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

Research expenditure and development expenditure that do not meet the criteria below are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

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 amounts 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.

Trade and other payables

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

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability, a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Employee benefits

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 obligations

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 benefit obligations

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.

Share-based payments

Share -based compensation benefits are provided to employees and directors via an employee option plan and the executive incentive scheme.

The fair value of options granted is recognised as a benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. 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 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.

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 allocated to share capital.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. SEGMENT INFORMATION

2019	Lyramid Australia $	Australia $	Advangen USA $	Advangen Japan $	Advangen Total $	Group Total $
Total revenue and other income	**1,008,217**	**993,748**	**415,371**	**5,929,848**	**7,338,967**	**8,347,184**
Cost of goods sold	(2,927)	(288,259)	(97,458)	(1,748,740)	(2,134,457)	(2,137,384)
Selling and distribution expenses	(185,602)	(619,184)	(432,881)	(477,120)	(1,529,185)	(1,714,787)
Research and development expenses	(576,919)	(193,568)	(5,322)	(72,664)	(271,554)	(848,473)
Administrative expenses	(723,328)	(1,179,594)	(594,497)	(1,664,789)	(3,438,880)	(4,162,208)
Other operating expenses	(180,401)	(208,143)	(138,168)	(310,109)	(656,419)	(836,821)
Corporate costs and unallocated items						
Gain / (loss) on disposal of fixed assets	-	-	-	-	-	(2,020)
Consultancy expense	-	-	-	-	-	(190,409)
Subscription expense	-	-	-	-	-	(106,120)
Occupancy expense	-	-	-	-	-	(187,623)
Share-based payment compensation	-	-	-	-	-	(318,414)
Directors' remuneration	-	-	-	-	-	(225,925)
Employee benefits expense	-	-	-	-	-	(506,122)
Depreciation and amortisation	-	-	-	-	-	(152,891)
Operating Profit / (Loss)	**(660,960)**	**(1,495,001)**	**(852,954)**	**1,656,427**	**(691,527)**	**(3,042,031)**
Finance costs	(129,461)	-	-	(105,582)	(105,582)	(235,043)
Legal fees and claim	-	(2,608,371)	-	-	(2,608,371)	(2,608,371)
Profit / (Loss) before income tax expense	**(790,421)**	**(4,103,372)**	**(852,954)**	**1,550,845**	**(3,405,481)**	**(5,885,445)**
Income tax expense	-	-	-	(24,112)	(24,112)	(24,112)
Profit / (Loss) after income tax expense	**(790,421)**	**(4,103,372)**	**(852,954)**	**1,526,733**	**(3,429,593)**	**(5,909,557)**
Total assets	**2,721,707**	**929,356**	**378,162**	**5,762,909**	**7,070,427**	**9,792,134**
Total liabilities	**850,045**	**1,167,138**	**187,041**	**1,730,633**	**3,084,812**	**3,934,857**
Total Intercompany	**16,810,307**	**(14,245,413)**	**(1,913,395)**	**(651,499)**	**(16,810,307)**	**-**

2018	Lyramid Australia $	Australia $	Advangen USA $	Advangen Japan $	Advangen Total $	Group Total $
Total revenue and other income	**1,182,538**	**1,216,021**	**205,604**	**4,230,761**	**5,652,386**	**6,834,924**
Cost of goods sold	(12,104)	(447,094)	(99,385)	(1,611,261)	(2,157,740)	(2,169,844)
Selling and distribution expenses	(184,939)	(762,897)	(101,120)	(369,404)	(1,233,422)	(1,418,361)
Research and development expenses	(432,514)	(125,358)	-	(61,152)	(186,510)	(619,024)
Administrative expenses	(491,807)	(1,337,684)	(244,460)	(1,229,456)	(2,811,600)	(3,303,407)
Other operating expenses	(195,882)	(214,781)	(27,106)	(247,561)	(489,448)	(685,330)
Corporate costs and unallocated items						
Consultancy expense	-	-	-	-	-	(138,433)
Subscription expense	-	-	-	-	-	(80,703)
Occupancy expense	-	-	-	-	-	(178,472)
Share-based compensation	-	-	-	-	-	(111,490)
Directors' remuneration	-	-	-	-	-	(200,627)
Employee benefits expense	-	-	-	-	-	(454,425)
Depreciation and amortisation	-	-	-	-	-	(188,929)
Operating Profit / (Loss)	**(134,708)**	**(1,671,793)**	**(266,468)**	**711,927**	**(1,226,334)**	**(2,714,117)**
Finance costs	(355,693)	-	-	(117,581)	(117,581)	(473,274)
Legal fees and claim	-	(535,126)	(7,668)	-	(542,794)	(542,794)
Profit / (Loss) before income tax expense	**(490,401)**	**(2,206,919)**	**(274,136)**	**594,346**	**(1,886,709)**	**(3,730,185)**
Income tax expense	-	-	-	(2,430)	(2,430)	(2,430)
Profit / (Loss) after income tax expense	**(490,401)**	**(2,206,919)**	**(274,136)**	**591,916**	**(1,889,139)**	**(3,732,615)**
Total assets	**1,487,721**	**813,396**	**238,881**	**4,208,580**	**5,260,857**	**6,748,578**
Total liabilities	**2,637,405**	**657,745**	**34,987**	**1,563,270**	**2,256,002**	**4,893,407**
Total intercompany	**12,341,560**	**(10,536,834)**	**(1,051,417)**	**(753,309)**	**(12,341,560)**	**-**

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 Advangen segment who accounts for 39.5% of external revenue (2018: 11.0%). The next most significant client accounts for 12.0% (2018: 3.2%) of external revenue.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 $	2018 $
- Sale of goods transferred at a point in time	7,301,686	5,647,930
- Royalties and license fees recognised at a point in time	87,787	64,252
Total revenue from contracts with customers	**7,389,473**	**5,712,812**

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:
Major product lines

- Heritage hair loss brands including Jo-Ju® and Lexilis®	5,888,754	4,584,023
- evolis® Pharmacy range	713,323	963,059
- evolis® Professional range	681,814	73,636
- Diagnostics income	105,582	92,094
Total revenue from contracts with customers	**7,389,473**	**5,712,812**

3. OTHER INCOME

	2019 $	2018 $
Other income:		
- Interest income	76,870	33,599
- Other revenue	72,868	32,180
- Government grants	807,973	1,056,963
Total other income	**957,711**	**1,122,742**

5. MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

Loss before income tax includes the following specific expenses:	2019 $	2018 $
Cost of goods sold	(2,137,384)	(2,169,844)
Advertising and marketing expenses	(1,096,930)	(977,785)
Travel expenses	(568,895)	(385,888)
Consultancy expenses	(626,623)	(488,718)
Employee benefits expense	(3,918,933)	(3,283,562)
Legal fees and claim	(2,608,371)	(542,794)
Other expenses	(654,819)	(642,864)

6. INCOME TAX

(a) The major components of income tax expense comprise:		
Income tax expense	(24,112)	(2,430)
(b) Numerical reconciliation of income tax expense to accounting loss:		
Loss for the year before income tax expense	(5,885,445)	(3,730,185)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.50% (2018: 27.50%)	(1,618,497)	(1,025,801)
Add / (less) tax effect of:		
- Adjustment for tax-rate differences in foreign jurisdictions	60,691	(18,878)
- Share based payments	87,564	30,632
- Sundry items	(132,918)	243,684
- Research and development expenditure	541,688	159,715
- Tax losses not brought to account	1,037,360	608,218
Income tax expense	(24,112)	(2,430)

The Group operates across three tax jurisdictions being Australia, Japan and USA each with different corporate tax rates.

(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	23,608,834	1,612,286	822,345	26,043,465
Prior period differences between tax calculation and income tax return	(66,934)	-	-	(66,934)
Actual carried forward unused tax losses at the beginning of the financial year	23,541,900	1,612,286	822,345	25,976,531
Current unused / (used) tax losses for which no deferred tax asset has been recognised	6,446,313	(1,534,153)	854,137	5,766,297
Carried forward unused tax losses at the end of the financial year	29,988,213	78,133	1,676,482	31,742,828
Notional tax rate	27.50%	30.86%	21.00%	
Potential future tax benefit	**8,246,758**	**24,112**	**352,061**	**8,622,931**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. INCOME TAX (CONTINUED)

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; maintains the continuity of ownership test and has carried on the same business since the tax loss was incurred; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

The Group has adopted the small business tax rate for the Australian entities, being 27.5%. The Group meets the small business eligibility criteria set by the Australian Taxation Office being aggregated turnover below $25 million and 80% or less of assessable income is passive income. The Group has no capital tax losses available.

7. 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:

Dr David King	(Non-Executive Chairman)
Ms Maria Halasz	(CEO and Managing Director)
Mr Bruce Gordon	(Non-Executive Director)
Dr Fintan Walton	(Non-Executive Director)
Dr Martin Cross	(Non-Executive Director)
Mr Dennis Eck	(Non-Executive Director)
Mr Koichiro Koike	(CEO – Advangen Inc.)
Mr. Bart Wuurman	(CEO – Lyramid)

(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 2019.

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

	2019 $	2018 $
Short-term employment benefits	**709,789**	446,995
Long-term benefits	**4,583**	4,696
Post-employment benefits	**22,800**	22,800
Share-based payments	**250,814**	-
	987,986	474,491

8. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by Grant Thornton Australia Limited, the auditor of the parent entity and its related practices:

	2019 $	2018 $
Audit or review of the Group Cellmid Limited		
- Australia (Grant Thornton)	**97,500**	97,500
- Japan (Grant Thornton)	**10,000**	10,000
	107,500	107,500

9. EARNINGS PER SHARE

Basic and diluted earnings per share (in cents)	**(7.77)**	(6.74)
Reconciliation of earnings to profit or loss from continuing operations		
Loss for the year attributable to the owners of Cellmid Limited	**(5,909,557)**	(3,732,615)
	No.	No.
Weighted average number of ordinary shares used in calculating basic and dilutive earnings per share	**75,729,120**	55,355,156

Details relating to options are set out in Note 28.

10. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**3,081,924**	1,607,783

The effective interest rate on short term bank deposits at 30 June 2019 was 2.4% (2018: 2.4%); these deposits were all at call.

11. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	**2,228,939**	1,023,892
Less: Impairment allowance	**(86,075)**	(56,967)
Other receivables	**143,807**	64,421
	2,286,671	**1,031,346**

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

More than 30 days past due	**413**	-
More than 60 days past due	**3,891**	-
More than 90 days past due	**81,771**	56,967
	86,075	56,967

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

Opening balance	**56,967**	20,970
Additional provisions recognised	**43,050**	35,514
Receivables written off during the year	**(13,942)**	-
Foreign exchange movements	**-**	483
Closing balance	**86,075**	56,967

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Past due but not impaired

Customers with balances past due but without an allowance for expected credit loss amount to $56,991 as at 30 June 2019 (30 June 2018: $17,526).

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.

12. INVENTORIES

	2019 $	2018 $
Midkine and MK ELISA	**35,193**	16,957
Consumer Health-finished goods	**1,005,738**	937,344
Consumer Health-raw materials	**577,477**	226,430
	1,618,408	1,180,731

13. OTHER ASSETS

Prepayments	**246,624**	339,223

14. PLANT AND EQUIPMENT

At cost	**1,569,030**	1,614,734
Accumulated depreciation / amortisation	**(768,787)**	(843,744)
	800,243	770,990

14. PLANT AND EQUIPMENT (CONTINUED)

Movements in carrying amounts of plant and equipment	**Computers and office equipment**	**Furniture and Fittings**	**Midkine**	**Total**
At cost	516,431	52,599	1,000,000	1,569,030
Accumulated depreciation / amortisation	(383,431)	(35,860)	(349,496)	(768,787)
Net book value	**133,000**	**16,739**	**650,504**	**800,243**
Balance at 1 July 2018	107,676	10,077	653,237	770,990
Additions	56,536	9,141	-	65,677
Depreciation / amortisation	(28,532)	(2,479)	(2,733)	(33,744)
Foreign exchange movements	(2,680)	-	-	(2,680)
Balance at 30 June 2019	**133,000**	**16,739**	**650,504**	**800,243**
Movements in carrying amounts of plant and equipment				
At cost	572,436	42,298	1,000,000	1,614,734
Accumulated depreciation / amortisation	(464,760)	(32,221)	(346,763)	(843,744)
Net book value	**107,676**	**10,077**	**653,237**	**770,990**
Balance at 1 July 2017	55,944	12,777	675,983	744,704
Additions	107,167	-	-	107,167
Depreciation / amortisation	(46,521)	(2,700)	(22,746)	(71,967)
Foreign exchange movements	(8,914)	-	-	(8,914)
Balance at 30 June 2018	**107,676**	**10,077**	**653,237**	**770,990**

15. INTANGIBLE ASSETS

	2019 $	2018 $
Patents and trademarks		
At cost	2,509,874	2,424,193
Accumulated amortisation	(751,610)	(605,689)
	1,758,264	**1,818,504**

Movements in carrying amounts of patents and trademarks

	$
Balance at 1 July 2018	1,818,504
Additions	-
Amortisation	(145,921)
Foreign exchange movements	85,681
Balance at 30 June 2019	**1,758,264**
Balance at 1 July 2017	1,841,385
Additions	-
Amortisation	(115,571)
Foreign exchange movements	92,690
Balance at 30 June 2018	**1,818,504**

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 14 years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	685,223	603,759
Other payables	1,741,686	935,983
	2,426,909	**1,539,742**

17. LOANS AND BORROWINGS

Current	266,804	2,007,427
Non-current	1,019,855	1,166,447
	1,286,659	**3,173,874**

The current loan amount includes a loan to fund Directors' and Officers' liability insurance for $132,315 at an interest rate of 5.20%.

The non-current loan amount includes loan facilities with Keiyo Bank Ltd (AUD: 1,118,692) at an interest rate of 1.50% and Chiba Bank Ltd. (AUD: 35,652) at an interest rate of 2.10%. Amounts payable within 12 months are included within current liabilities.

During the year the Group fully repaid the loan to Platinum Road amounting to $1,987,444 which was secured against the R&D tax credit for a period of twenty-four months from commencement.

18. PROVISIONS

	Annual Leave $	Employee Benefits Long Service Leave $	Total $
Balance at 1 July 2018	99,100	80,689	179,789
Additional provisions / (payments)	34,619	6,881	41,500
Balance at 30 June 2019	**133,719**	**87,570**	**221,289**

18. PROVISIONS (CONTINUED)

	2019 $	2018 $
Analysis of employee provisions		
Current	214,549	175,345
Non-current	6,740	4,444
	221,289	**179,789**

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 Group does not have an unconditional right to defer settlement.

19. ISSUED CAPITAL

	2019 No.	2018 No.	2019 $	2018 $
At the beginning of the year	**56,912,357**	1,072,456,303	**38,014,078**	36,715,030
Share buyback and cancellation	**(499,117)**	(4,000,000)	**(114,795)**	-
20 to 1 shares consolidation on 23 November 2017	-	(1,015,033,419)	-	-
Shares issued – private placement	**26,381,589**	3,489,473	**10,025,000**	1,326,000
Shares issued – employee share scheme	**814,646**	-	**318,414**	-
Shares issued – loan shares	**400,000**	-	**86,000**	-
Transaction costs	-	-	**(562,860)**	(26,952)
	84,009,475	**56,912,357**	**47,765,837**	**38,014,078**

	Issue Price $	2019 No.	2018 No.*	2019 $	2018 $
At the beginning of the year		56,912,357	1,072,456,303	38,014,078	36,715,030
Shares issued – January 2018	0.38	-	3,489,473	-	1,326,000
Shares issued – September 2018	0.38	26,381,589	-	10,025,000	-
Shares issue costs, net of tax		-	-	(562,860)	(26,952)
20 to 1 shares consolidation on 23 November 2017		-	(1,015,033,419)	-	-
Shares buyback and cancellation		(499,117)	(4,000,000)	(114,795)	-
Shares issued – October 2018	0.45	184,646	-	84,014	-
Shares issued – November 2018	0.37	630,000	-	234,400	-
Shares issued – loan shares – April 2019	0.21	400,000	-	86,000	-
At the end of the year		**84,009,475**	**56,912,357**	**47,765,837**	**38,014,078**

* On 23 November 2017, the Group completed the twenty to one share consolidation and the number of issued shares was reducedby 1,015,033,419.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. ISSUED CAPITAL (CONTINUED)

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 28 Share-based payments.

	2019 No.	2018 No.
At the beginning of the year	**1,650,000**	34,440,000
Options lapsed – August 2017	-	(1,440,000)
Consolidation	-	(31,350,000)
Options lapsed – August 2018	**(900,000)**	-
Options issued – September 2018	**1,000,000**	-
Options issued – October 2018	**200,000**	-
Options lapsed – November 2018	**(600,000)**	-
At the end of the year	**1,350,000**	**1,650,000**

(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.

20. RESERVES

	2019 $	2018 $
Share-based payments reserve		
Balance at the beginning of the year	2,164,497	2,053,007
Share-based payments expense	92,360	111,490
Transfer to accumulated losses	(2,152,907)	-
Balance at the end of the year	**103,950**	**2,164,497**

20. RESERVES (CONTINUED)

	2019 $	2018 $
General reserve		
Balance at the beginning of the year	18,258	18,258
Movement during the year*	**(18,258)**	-
Balance at the end of the year	**-**	**18,258**

*The movement in the general reserve is as a result of the derecognition of the equity component of the convertible loan.

	2019 $	2018 $
Foreign currency translation reserve*		
Balance at the beginning of the year	412,605	306,382
Foreign exchange movements	115,798	106,223
Balance at the end of the year	**528,403**	**412,605**
Total reserves	**632,353**	**2,595,360**

*Exchange differences arising on translation of foreign controlled entities 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.

21. CASH FLOW INFORMATION

	2019 $	2018 $
Reconciliation of loss after income tax to net cash used in operating activities		
Loss after income tax for the year	(5,909,557)	(3,732,615)
Adjustments for:		
- depreciation and amortisation	152,891	187,538
- share based payments	318,414	111,490
- bad and doubtful debts	2,025	-
- interest expense	-	115,293
- interest income	-	-
- foreign exchange movements	141,177	(16,972)
Changes in operating assets and liabilities		
- (increase) in trade and other receivables	(1,255,325)	(653,062)
- (increase) / decrease in prepayments	10,290	(229,169)
- (increase) in inventories	(355,368)	(101,408)
- increase / (decrease) in trade and other payables	1,182,580	284,055
- increase / (decrease) in provisions	41,500	(128,803)
Net cash used in operating activities	**(5,671,373)**	**(4,163,653)**

22. EVENTS AFTER THE REPORTING PERIOD

No matters or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

The remuneration for Ms Halasz is restructured to 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 (2018: $188,538) for management services. No amount was outstanding as at 30 June 2019 (30 June 2018: Nil).

24. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA-' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk (except for a single counterparty that makes up approximately 50% of the total trade receivables balance which was subsequently paid in July 2019), whether through exposure to individual customers, specific industry sectors and/or region.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 statement of financial position.

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

Trade receivables and contract assets

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2019 and the corresponding historical credit losses experienced within this period.

On that basis, the loss allowance as at 30 June 2019 (on adoption of AASB 9) was determined as follows for trade receivables:

	Not overdue	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	1.1%	20%	95%	
Gross carrying amount – trade receivables	2,085,873	37,535	19,456	86,075	2,228,939
Impairment allowance	-	413	3,891	81,771	86,075

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(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. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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

	2019 $	2018 $
Within one year	266,804	2,007,427
One to five years	1,231,121	1,166,447

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 loss and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Loss $	Equity $
Year ended 30 June 2019		
+/- 5% in foreign exchange rates	+/-53,964	+/-51,235
Year ended 30 June 2018		
+/- 5% in foreign exchange rates	+/-13,460	+/-6,728

Interest rate risk

The Group's main interest rate risk arises from loans from banks and other financial institutions.
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 loss and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows:

	Loss $	Equity $
Year ended 30 June 2019		
+/- 1% in interest rates	+/-12,867	+/-12,867
Year ended 30 June 2018		
+/- 1% in interest rates	+/- 31,73	+/- 31,739

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 (%) 2019	Percentage Owned (%) 2018
Subsidiaries of Cellmid Limited:			
Advangen Limited	Australia	**100**	100
Kinera Limited	Australia	**100**	100
Lyramid Limited	Australia	**100**	100
Subsidiaries of Advangen Limited:			
Advangen International Pty Ltd	Australia	100	100
Advangen LLC	USA	100	100
Advangen Incorporated	Japan	100	100
Evolis Japan Incorporated	Japan	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, Lyramid 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 ASIC Corporations (wholly owned companies) Instrument 2016/785 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 2019 $	Parties to the Deed of Cross Guarantee 2018 $
STATEMENT OF FINANCIAL POSITION		
CURRENT ASSETS		
Cash and cash equivalents	1,956,127	722,681
Trade and other receivables	124,873	196,051
Inventories	708,952	548,509
Other assets	141,559	186,993
TOTAL CURRENT ASSETS	**2,931,511**	**1,654,234**
NON-CURRENT ASSETS		
Plant and equipment	686,939	688,395
Intangible assets	1,440	1,440
Investment in subsidiaries	2,888,105	2,888,105
TOTAL NON-CURRENT ASSETS	**3,576,484**	**3,577,940**
TOTAL ASSETS	**6,507,995**	**5,232,174**
CURRENT LIABILITIES		
Trade and other payables	1,705,477	1,150,885
Loans and borrowings	-	2,007,427
Employee provisions	214,549	175,345
TOTAL CURRENT LIABILITIES	**1,920,026**	**3,333,657**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. INTERESTS IN SUBSIDIARIES (CONTINUED)

	Parties to the Deed of Cross Guarantee 2019 $	Parties to the Deed of Cross Guarantee 2018 $
NON-CURRENT LIABILITIES		
Employee provisions	6,740	4,444
Loans and borrowings	132,315	-
Loan from subsidiaries	122,665	122,665
TOTAL NON-CURRENT LIABILITIES	**261,720**	**127,109**
TOTAL LIABILITIES	**2,181,746**	**3,460,766**
NET ASSETS	**4,326,249**	**1,771,408**
EQUITY		
Issued capital	47,765,837	38,014,078
Reserves	157,085	2,169,778
Accumulated losses	(43,596,673)	(38,412,448)
TOTAL EQUITY	**4,326,249**	**1,771,408**
(B) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:		
Loss before income tax	(5,204,076)	(4,361,045)
Income tax expense	-	-
Loss after income tax	(5,024,076)	(4,361,045)
Loss attributable to members of the parent entity	**(5,204,076)**	**(4,361,045)**
(C) ACCUMULATED LOSSES:		
Accumulated Losses at the beginning of the year	(38,412,448)	(34,051,403)
Loss after income tax + Transfer SOCE	(5,204,076)	(4,361,045)
Inventory restatement	-	-
Accumulated Losses at the end of the year	**(43,616,524)**	**(38,412,448)**

26. COMMITMENTS

	2019 $	2018 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	270,408	127,082
One to five years	728,227	833,205
Over five years	-	19,093
Minimum lease payments	**998,635**	**979,380**

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

27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Claims

The amounts recorded in legal fees and settlement and trade and other payables include amounts in relation to the concluded legal dispute that has been underway since 2016 in the NSW Supreme Court between a wholly owned subsidiary Advangen International Pty Ltd and Ikon Communications (Ikon). The Court ruled that Ikon is entitled to their claim of $939,055 plus interest and costs. The Group fully paid Ikon's claim with interest in December 2018 and accrued any potential liability to cover any future obligations in relation to legal costs.

Guarantees

The Group has given bank guarantees as at 30 June 2019 of $129,560 (30 June 2018: $129,560) 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 29.

Other than the matter noted above, the Group had no contingent liabilities or contingent assets at 30 June 2019. (30 June 2018: Nil)

28. SHARE-BASED PAYMENTS

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.

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	Expired	Balance at end of the year	Exercisable at end of year
1/08/2018	0.80	200,000	-	-	(200,000)	-	-
1/08/2018	1.00	200,000	-	-	(200,000)	-	-
1/08/2018	1.20	500,000	-	-	(500,000)	-	-
19/11/2018	0.62	25,000	-	-	(25,000)	-	-
19/11/2018	1.20	575,000	-	-	(575,000)	-	-
1/07/2020	0.60	50,000	-	-	-	50,000	50,000
31/10/2019	0.60	100,000	-	-	-	100,000	100,000
28/09/2021	0.80	-	1,000,000	-	-	1,000,000	1,000,000
03/10/2021	0.80	-	200,000	-	-	200,000	200,000
		1,650,000	**1,200,000**	**-**	**(1,500,000)**	**1,350,000**	**1,350,000**

The weighted average exercise price during the financial year was $0.78 ($1.06 in 2018). The weighted average remaining contractual life of the options outstanding at the end of the financial year was 1.48 years (0.33 years in 2018).

1,200,000 options were granted during the 2019 financial year (2018: Nil) with no vesting conditions attached as follows:

- 1,000,000 options granted at a fair value of $0.077 per option on 28/9/2018 and expiry date of 28/9/2021
- 200,000 options granted at a fair value of $0.076 per option on 3/10/2018 and expiry date of 3/10/2021

Other options on issue

No other options on issue.

29. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. PARENT ENTITY INFORMATION (CONTINUED)

	2019 $	2018 $
ASSETS		
Current assets	2,055,817	847.998
Non-current assets	4,730,419	3,605,018
Total Assets	**6,786,236**	**4,453,016**
LIABILITIES		
Current liabilities	(626,402)	(2,590,589)
Non-current liabilities	(302,557)	(7,255)
Total Liabilities	**(928,959)**	**(2,597,844)**
EQUITY		
Issued capital	47,765,837	38,014,078
Accumulated losses	(42,012,510)	(38,525,679)
Share based payments reserve	103,950	2,366,773
Total Equity	**5,857,277**	**1,855,172**
Statement of Profit or Loss and Other Comprehensive Income		
Loss of the parent entity	(3,486,829)	(3,626,391)
Total comprehensive income	**(3,486,829)**	**(3,626,391)**

Contingent liabilities and contingent assets

Bank Guarantees

The parent entity has given bank guarantees as at 30 June 2019 of $129,560 (30 June 2018: $129,560) 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 Lyramid 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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 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 2019.

Capital Commitments

The parent entity had no capital commitments at 30 June 2019 (Nil at 30 June 2018).

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 28 to 62, 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 2019 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.

David King
Director

Dated this 28th day of August 2019

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Cellmid Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Cellmid Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 28 August 2019

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b 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 auditor independence requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of $5,909,557 during the year ended 30 June 2019, and had net operating cash outflows of $5,671,373. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Note 3)	
Revenue of $7,389,473 has been recognised during the year ended 30 June 2019. This is a key audit matter given the management judgement involved in applying the revenue recognition policy and the complexities around accounting for variable consideration. In addition, new accounting standard AASB 15: *Revenue from Contracts with Customers* has been applied for the first time in the current financial year.	Our procedures included, amongst others: • Assessing the revenue recognition policies for appropriateness and compliance with AASB 15, including the treatment of wholesaler discounts and rebates; • Comparing revenue by month and across each revenue stream to prior periods in order to identify and follow up on unusual trends; • Testing a sample of revenue transactions for each revenue stream by tracing through to supporting documentation including sales contract, sales invoice and subsequent receipt; • Testing a sample of transactions near period end to assess whether the related revenue has been recognised in the appropriate period; and • Assessing the adequacy of related disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our 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.

Grant Thornton

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 Group's ability 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 have 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 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 in pages 18 to 23 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Cellmid Limited, for the year ended 30 June 2019 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 28 August 2019

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 20 August 2019.

20 LARGEST SHAREHOLDERS

Fully Paid Ordinary Shares

Shareholders	Balance	Percent
MR DENNIS KEITH ECK	5,461,579	6.53%
UBS NOMINEES PTY LTD	3,871,929	4.66%
JASGO NOMINEES PTY LTD <JASGO FAMILY A/C>	2,631,578	3.15%
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED <>	2,128,917	2.55%
MR GREGORY GLENN WORTH <WORTH S/F A/C>	1,824,000	2.18%
MOORE FAMILY NOMINEE PTY LIMITED <MOORE FAMILY SUPER FUND A/C>	1,750,000	2.09%
CELL SIGNALS INC	1,300,000	1.55%
ONE MANAGED INVT FUNDS LTD <I A/C>	1,212,891	1.45%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,185,665	1.42%
SEISTEND (SUPER) PTY LTD <DW KING SUPER FUND A/C>	1,150,000	1.38%
CITICORP NOMINEES PTY LIMITED	1,071,861	1.28%
MR KEVIN PETER HOOPER & MR RONALD LESLIE HOOPER <SATHNASH P/L SUPER FUND A/C>	1,050,000	1.26%
MR TREVOR GOTTLIEB	914,974	1.09%
MR DARIN ANJOUL & MRS TANIA ANJOUL <TAN GROUP SUPER FUND A/C>	850,000	1.02%
DIRECT CAPITAL GROUP PTY LTD	800,938	0.96%
MR JAMES PATRICK TUITE & MRS WENDY TUITE <TUITE SUPER 1 A/C>	791,876	0.95%
NATIONAL NOMINEES LIMITED	771,442	0.92%
MISS FLORENCE ANNE GRAND	758,700	0.91%
MRS MARGARET ANN RYAN & MR MICHAEL RODNEY RYAN	710,000	0.85%
DR KUEN SENG CHAN	700,000	0.84%
Total	**30,936,350**	**37.00%**
Issued Share Capital	**83,609,475**	

SUBSTANTIAL HOLDERS

Mr Dennis Keith Eck is an individual substantial shareholder of Cellmid Limited shares who holds 5,461,579 shares or 6.53% of the voting rights.

HOLDING ANALYSIS

Holding Ranges	Holders	Total Units	%
1 – 1,000	70	28,605	0.03
1,001 – 5,000	401	1,397,564	1.67
5,001 – 10,000	233	1,846,645	2.21
10,001 – 100,0000	499	16,389,664	19.60
100,001 – 99,999,999	151	63,946,997	76.48
Totals	**1,354**	**83,609,475**	**100.00**

NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No. of Holders	Voting Rights
Ordinary Shares 1,354 Yes		
Unlisted Options $0.60 expiring 31/10/2019	1	No
Unlisted Options $0.60 expiring 01/07/2020	1	No
Unlisted Options $0.80 expiring 28/09/2021	1	No
Unlisted Options $0.80 expiring 03/10/2021	1	No
Unlisted Options $0.23 expiring 30/07/2024	7	No

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 187.

CLASSES OF UNQUOTED SECURITIES

Class of Security	No. of Holders	Total Units
Unlisted Options $0.60 expiring 31/10/2019	1	100,000
Unlisted Options $0.60 expiring 01/07/2020	1	50,000
Unlisted Options $0.80 expiring 28/09/2021	1	1,000,000
Unlisted Options $0.80 expiring 03/10/2021	1	200,000
Unlisted Options $0.23 expiring 30/07/2024	7	4,250,000

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 204, Level 2
55 Clarence Street
Sydney NSW 2000

The principal places of business are:

Cellmid Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen International Pty Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen Incorporated
Chiba Industry Advancement Centre
Tokatsu Techno Plaza
5-4-6 Kashiwanoha
Kashiwa
Chiba 277-082 Japan

Kinera Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Lyramid Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen LLC
1601 Elm Street, Floor 33
Dallas
Dallas County
Texas 75207

BOARD OF DIRECTORS

Non-Executive Chairman
Dr David King

CEO and Managing Director
Ms Maria Halasz

Non-Executive Directors
Mr Bruce Gordon
Dr Fintan Walton
Dr Martin Cross
Mr Dennis Eck

Company Secretary
Mr Lee Tamplin

AUDITORS, SOLICITORS AND PATENT ATTORNEY

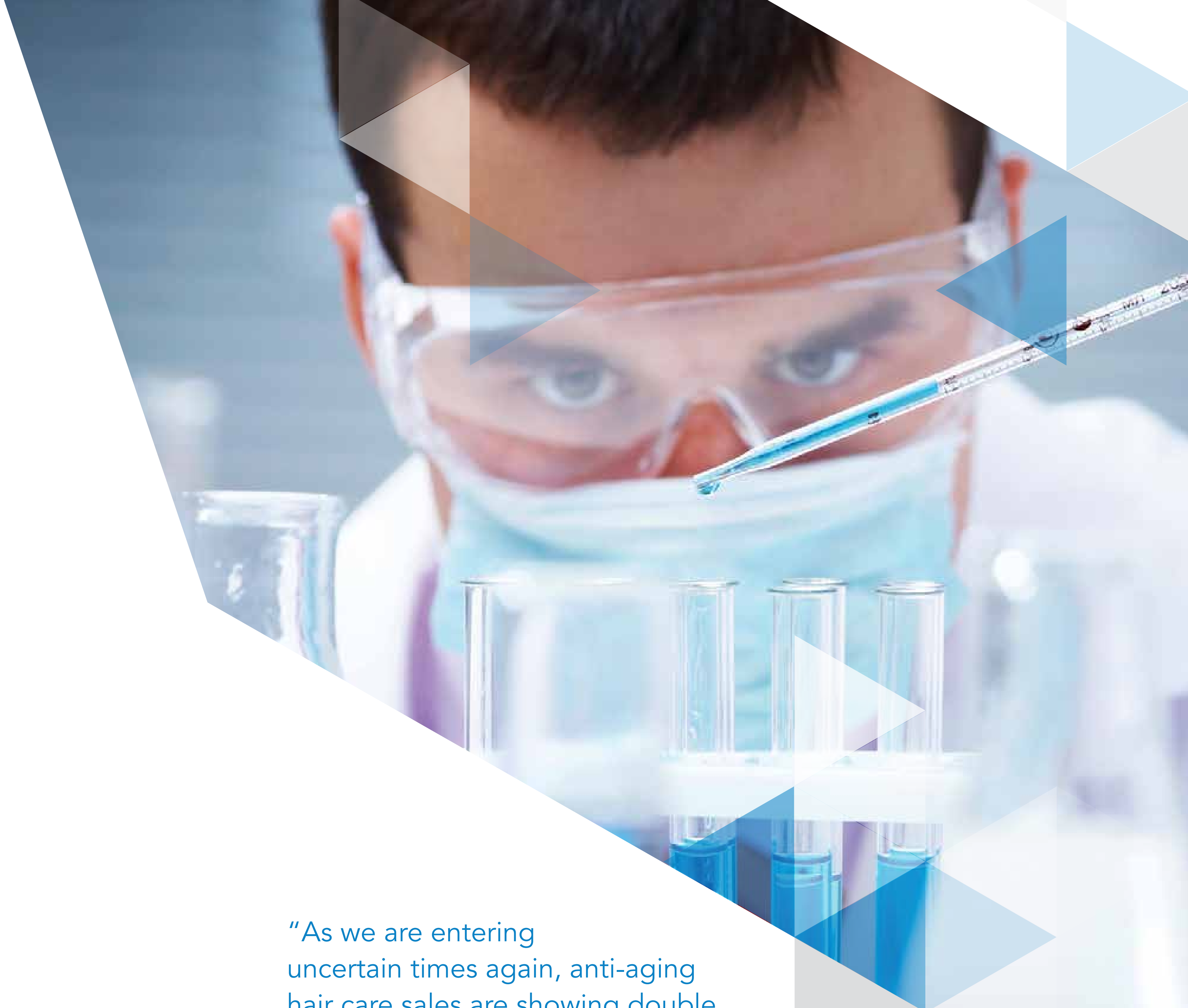
Auditors
Grant Thornton Audit Pty Ltd
17/383 Kent Street
Sydney NSW 2000, Australia

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

Automic Pty Limited
Level 5, 126 Phillip Street
Sydney NSW 2000, Australia



"As we are entering uncertain times again, anti-aging hair care sales are showing double digit growth, especially in emerging markets. The cosmetics industry, including hair care, seems to be immune to negative economic indicators."

Maria Halasz
CEO and Managing Director

CELLMID

Cellmid Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000
ABN 69 111 304 119

T +61 2 9221 6830
F +61 2 9221 8535
E info@cellmid.com.au
W www.cellmid.com.au