

**CELLMID LIMITED
ACN 111 304 119
AND CONTROLLED ENTITY**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

\$A

| | | |
|---|---------------|-------------|
| Revenues from ordinary activities for the year | up 344.5% to | 761,288 |
| Revenues from discontinued operations | N/A | |
| Revenues from ordinary operations | up 344.5% to | 761,288 |
| Loss from ordinary activities after tax attributable to members | down 22.4% to | (1,528,041) |
| Loss from discontinued operations after tax attributable to members | N/A | - |
| Loss from ordinary activities after tax attributable to members | down 22.4% to | (1,528,041) |
| Loss from extraordinary items after tax attributable to members | | NIL |
| Net Loss after tax for the year attributable to members | down 22.4% to | (1,528,041) |

| Dividends (distributions) | Amt per Security | Franked amount per Security |
|--|------------------|-----------------------------|
| Interim dividend | NIL | NIL |
| Previous corresponding period | NIL | NIL |
| Record date for determining entitlements to the dividend | | N/A |

| EPS | 2013 Cents Per Share | 2012 Cents Per Share |
|---|----------------------|----------------------|
| Basic and diluted earnings per shares | (0.27) | (0.46) |
| Weighted average number of shares used in the denominator to calculate the earnings per share | 563,832,659 | 427,266,234 |

| Net tangible assets per security | 2013 Cents Per Share | 2012 Cents Per Share |
|----------------------------------|----------------------|----------------------|
| Net tangible assets per security | 0.48 | 0.48 |

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

| Explanation of Revenue and Loss |
|---|
| <p>The consolidated net loss of the Group was down 22% to \$1,541,307 (\$1,972,483 in 2012), after providing for income tax, and eliminating non-controlling equity interests. Revenue from product sales was up by more than 300% to \$541,649 (\$132,826 in 2012), while total revenue was up by 345% to \$761,288 for the year (\$171,273 in 2012).</p> <p>This report is based on the consolidated financial statements which have been audited by BDO.</p> |

Cellmid Limited

Annual Financial Report

ABN 69 111 304 119

for the year ended 30 June 2013

CELLMID LIMITED

Annual Financial Report – 30 June 2013

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CELLMID LIMITED
and Controlled Entities
DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being Cellmid Limited (**Cellmid or the Company**) and its controlled entities (**Group**), for the financial year ended 30 June 2013.

Directors

The following persons were directors of Cellmid during the financial year and up to the date of this report, unless otherwise stated:

Dr David King (appointed 18 January 2008)
Ms Maria Halasz (appointed 19 November 2007)
Mr Robin Beaumont (resigned 27 August 2012)
Mr Graeme Kaufman (appointed 27 August 2012)
Mr Martin Rogers (appointed 19 September 2012)

Other Key Management Personnel

The following persons were key management personnel of Cellmid during the financial year and up to the date of this report, unless otherwise stated:

Mr Nicholas Falzon (Company Secretary appointed 6 October 2010)
Ms Jillian McGregor (Company Secretary appointed 16 July 2013)
Mr Andrew Bald (Company Secretary appointed 6 August 2012 and resigned 8 April 2013)

Principal Activities and Significant Changes in the Nature of Activities

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

- 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 (**Midkine Business**); and
- the development and sale of over-the-counter (OTC) treatments to alleviate excessive and abnormal hair loss and re-establish the natural hair growth cycle (**Consumer Health Business**)

There were no significant changes in the nature of the activities during the financial year.

Operating Results and Review of Operations for the Year

The consolidated net loss of the Group was down 22% to \$1,541,307 (\$1,972,483 in 2012), after providing for income tax, and eliminating non-controlling equity interests. Revenue from product sales was up by more than 300% to \$541,649 (\$132,826 in 2012), while total Revenue was up by 345% to \$761,288 for the year (\$171,273 in 2012).

REVIEW OF OPERATIONS

The Group has grown its Consumer Health Business significantly during the reporting period and, with the acquisition of Advangen Inc., opened up a global opportunity for the commercialisation of its FGF-5 inhibitor hair growth products.

The Midkine Business has reached critical product development objectives in relation to the midkine antibody program and commencing the studies necessary for the 'first in man' phase 1/2a clinical trials of its anti-midkine antibodies in multiple solid tumours. Significant progress has also been achieved in the Group's diagnostic business with the launch of the first commercial product with midkine as a biomarker, CxBladder by Pacific Edge Limited, and a new option to license agreement with Fujikura Kasei (Japan).

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Consumer Health Business – Acquisition of Advangen Inc. means a global opportunity for the FGF-5 inhibitor hair growth products

Advangen International Pty Ltd, a controlled entity, was set up to commercialise over-the-counter hair growth products based on the FGF-5 inhibition technology developed by Advangen Inc. (Japan). Advangen International Pty Ltd originally negotiated exclusive manufacturing and distribution rights for Australia, USA and Europe and commenced its commercial proof of concept program in September 2012 in Australia by the appointment of a pharmacy distributor.

The results of the commercial proof of concept program have indicated strong global potential for the FGF-5 inhibitor hair growth products. To fully exploit this opportunity the Group acquired Advangen Inc. (Japan) in May 2013. The transaction involved the payment of \$1.2 million in cash and the issuing of 55,737,624 Cellmid shares at an agreed price of \$0.05 each with a total deal value of \$4.0 million. At the time of the acquisition Advangen Inc. had unaudited annualised sales of around \$1 million and cash and equivalents of around \$400,000.

The acquisition of Advangen Inc. is expected to make a significant positive impact on the Group's operations in future financial years. It provides global ownership of the FGF-5 inhibition technology and immediate access to the established Japanese markets for the products. It is a whole-of-chain acquisition resulting in reduced cost of goods and no royalties.

The acquisition delivered valuable additional assets including Chinese import permits for the Lexilis and Jo-Ju brands, with the potential to accelerate geographical expansion of the distribution. It also provides opportunities for product improvements and further clinical validation programs to expand the markets for chemotherapy related hair loss and androgenic alopecia.

Midkine business

Advances in therapeutic product development – midkine antibodies heading to the clinic

Under this program the Group has been developing its anti-midkine antibody drugs for the treatment of cancer and inflammatory diseases. The program received a significant boost during the period with positive results in its pre-clinical programs in diabetic nephropathy and solid tumours, paving the way for clinical development.

In January 2013 the Group received results indicating that its antibody drug reduced mortality and preserved kidney function in a study of a mouse model of diabetic nephropathy. Kidney damage was significantly reduced in this Adriamycin induced kidney damage model. This bolstered the Group's preclinical data package, which has already included positive efficacy results in animal models of several cancer types such as osteosarcoma, rectal carcinoma and glioblastoma. The review of the pharmacological data package resulted in the development of a clinical development plan involving a phase 1/2a study for the Group's anti-midkine antibody drug in multiple solid tumour types. The program is expected to be implemented in the coming financial year.

Midkine (MK) Diagnostic Program

Two of the Group's licensees, Pacific Edge Limited and Celera-Quest, made significant progress towards commercialisation of their respective products. The Group has also signed an option to license agreement with Fujikura Kasei for the use of two proprietary anti-midkine antibodies in Fujikura's latex diagnostic products. Internal diagnostic programs, including the colorectal cancer project at the John Hunter Hospital are progressing with sample collection and testing. This is a prospective program with results expected in late 2014.

Pacific Edge Limited – launched CxBladder in the USA with midkine as one of the biomarkers

The Group signed a license agreement with Pacific Edge Limited in 2010 for the use of the Group's biomarker, midkine, as one of the biomarkers in CxBladder, a bladder cancer diagnostic test. According to the terms of the license Pacific Edge paid an upfront fee and was to pay a milestone fee in shares on reaching first sale of the product outside of Australia and New-Zealand. Pacific Edge has made solid progress towards this

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milestone during the reporting period and successfully launched its CxBladder test in the USA in March 2013. Pacific Edge reported setting up a sales force to urologists in April with sales expected to commence shortly.

Celera-Quest license update

The Group signed a license agreement with Celera-Quest in 2009 enabling Quest to use midkine as one of six biomarkers in their test for the early diagnosis, prognosis and disease management of lung cancer. The Group received an upfront payment at the time of signing, a milestone payment will become payable by Celera-Quest at the time of regulatory clearance and royalties on sales. Celera-Quest provided their annual update to the Group in March 2013 confirming that they have transferred and validated the six marker assay on the Luminex platform. They have also advised that they are progressing with further clinical validation using serum samples from a National Cancer Institute sponsored trial.

Fujikura Kasei option to license

The Group signed an Option to License Agreement with Fujikura Kasei for the exclusive supply of the Group's proprietary antibodies for validation in Fujikura's latex diagnostic platform. The agreement provides that Fujikura will proceed to license subject to reaching the minimum 500 picogram/mL limit of detection. This is to ensure that Fujikura's latex assay will be able to identify individuals with elevated midkine levels. The validation program was progressing well during the reporting period. Fujikura paid an option fee on signing and will pay a milestone fee upon completion of the validation and exercise of its option to license.

Intellectual Property update

The Group has a large and valuable patent portfolio which consists of 78 patents across 20 patent families. Of these 52 patents have been granted, 25 filed or under examination and one in PCT stage.

Two significant midkine therapeutic patents have been granted during the reporting period. The patent entitled "Pharmaceutical composition for vascular occlusive disease" (06746805.6) was granted by the European Patent office in January 2013. The Group's patent application "Nitric oxide Synthase activator" (12/593,277) was granted in the USA in July 2012.

Financial Position

The net assets of the Group, after eliminating non-controlling interests, are significantly up at \$5,305,157 (\$2,089,484 as at 30 June 2012). The directors believe that the Group is in a stable financial position to expand and grow its current operations.

Significant Changes in the State of Affairs

The Group acquired Advangen Inc. (Japan) in May 2013. The transaction involved the payment of \$1.2 million in cash and the issuing of 55,737,624 Cellmid shares at an agreed price of \$0.05 each with a total deal value of \$4 million. In the financial statement the transaction is recorded at \$2.9 million ("fair value") as Cellmid shares were traded on market at \$0.03 at the time of the acquisition. The acquisition is expected to have a significant positive impact on the Group's operations.

Dividends Paid or Recommended

The Company has not paid or declared any dividends during the financial year (2012: nil).

Events after the Reporting Period

There are two items which have occurred after the reporting date as follows:

- Pacific Edge have issued 1,084,622 shares to Cellmid having achieved their requisite milestone. The shares have been issued pursuant to the midkine diagnostic licence agreement signed on 17 May 2010; and
- The escrow shares issued during the year will be released within the next 12 months;

Other than these items, no other matter or circumstance has arisen since 30 June 2013 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.

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DIRECTORS' REPORT**

Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information could result in unreasonable prejudice to the consolidated Group.

Environmental Issues

The Group's operations are not subject to significant environmental regulations under the laws of the Commonwealth and the state.

Board and Audit Committee meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

| | Board meetings | | Audit Committee meetings | |
|-------------------|---------------------------|-----------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Ms Maria Halasz | 6 | 6 | 5* | 5 |
| Dr David King | 6 | 6 | 5 | 5 |
| Mr Robin Beaumont | 3 | 3 | 3 | 3 |
| Mr Graeme Kaufman | 3 | 3 | 2 | 2 |
| Mr Martin Rogers | 3 | 3 | 2 | 2 |

The Nomination Committee and Remuneration Committee of the board of directors (**Board**) met on several occasions during the financial year on an informal basis.

* Maria Halasz was in attendance at audit committee and remuneration committee meetings by invitation.

Information on Directors and Company Secretaries

| | |
|--------------------------------|---|
| David King | – Chairman (Non-executive) |
| Qualifications | – Fellow of The Australian Institute of Company Directors, Fellow of the Australian Institute of Geoscientists and a PHD in Seismology from the Australian National University. |
| Experience | – Experience in high growth companies and a track record in starting business ventures and developing them into attractive investment and/or take-over targets. |
| Interest in Shares and Options | – Shares: 22,500,000 indirectly held. Options: 11,250,000 indirectly held (Expiry: 23 October 2016, exercisable at \$0.034 each). |
| Special Responsibilities | – Chairman of the Remuneration Committee and Nomination Committee. |
| Directorships held in other | – Current directorships - Robust Resources Limited, Republic Gold |

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listed entities during the three years prior to the current year Limited
Previous directorship - Gas2Grid Limited and Ausmon Resources Limited and Sapex Limited, Eastern Star Gas Limited.

Maria Halasz – Managing Director (Executive)

Qualifications – A Graduate of the Australian Institute of Company Directors; MBA, BSc in microbiology.

Experience – Over 19 years experience in biotechnology companies; initially working in executive positions in biotechnology firms, then managing investment funds and later holding senior positions in corporate finance specialising in life sciences.

Interest in Shares and Options – Shares: 1,050,000 directly held.
Shares: 5,700,000 indirectly held.
Options: 7,000,000 (Expiry: 20 November 2014, exercisable at \$0.056 each) indirectly held.
Options: 1,362,625 (Expiry: 23 October 2016, exercisable at \$0.034 each) indirectly held.
Options: 5,000,000 (Expiry: 15 June 2017, exercisable at \$0.032 each) indirectly held.
(Shares in Advangen International Pty Ltd: 278,049, indirectly held).

Special Responsibilities – Managing Director and Chief Executive Officer.

Directorships held in other listed entities during the three years prior to the current year – None

Graeme Kaufman – Director – Non-executive (Appointed 27th August 2012)

Qualifications – BSc & MBA from Melbourne University

Experience – Over 45 years' experience in biotechnology spanning technical, commercial and financial areas. Having worked for 34 years at CSL Limited, Australia's largest biopharmaceutical company, he held senior positions including Production Director, General Manager Finance and General Manager Biosciences.

Interest in Shares and Options – Options: 1,000,000 (Expiry: 1 June 2014, exercisable at \$0.05 each) directly held.

Special Responsibilities – Chairman of the Audit Committee and member of the Remuneration and Nomination Committee.

Directorships held in other listed entities during the three years prior to the current year – Bionomics Ltd and IDT Australia Ltd

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| | |
|--|---|
| Martin Rogers | – Director – Non-executive (Appointed 19 th September 2012) |
| Qualifications | – Chemical Engineering and Science Degrees from University of New South Wales |
| Experience | – Martin Rogers is the former CEO and current non-executive director of Prima BioMed Ltd. He has a depth of experience in incubating companies and publicly listed organisations. Mr Rogers has experience in all aspects of financial, strategic and operational management and has raised over \$100m in equity. |
| Interest in Shares and Options | – Shares: 5,155,700 shares indirectly held. Options: 44,000,000 (Expiry: 23 October 2016, exercisable at \$0.034 each) indirectly held |
| Special Responsibilities | – Member of the Audit Committee and member of the Remuneration Committee |
| Directorships held in other listed entities during the three years prior to the current year | – Consegna Limited, Prima BioMed Ltd and OncoSil Medical Limited |
| | |
| Jillian McGregor | – Company Secretary (Appointed 16 July 2013) |
| Qualifications | – Bachelor of commerce and law from University of New South Wales |
| Experience | – Jillian has worked as a corporate lawyer for more than 15 years in mid and top tier Australian law firms. During this time she has provided Corporations Act and ASX Listing Rule advice to many ASX listed companies including advice on related party transactions, capital raising requirements, and meeting continuous disclosure requirements. |
| Interest in Shares and Options | – Nil |
| Special Responsibilities | – Nil |
| Directorships held in other listed entities during the three years prior to the current year | – Nil |
| | |
| Nicholas Falzon | – Company Secretary & Financial Controller |
| Qualifications | – Bachelor of Business at UTS and a member of the Institute of Chartered Accountants of Australia |
| Experience | – As a partner at Lawler Partners Nicholas works with a number of listed and unlisted companies advising them on all aspects of their financial management. |
| Interest in Shares and Options | – Nil |
| Special Responsibilities | – Nil |
| Directorships held in other listed entities during the three years prior to the current year | – Nil |

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DIRECTORS' REPORT**

Remuneration report

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

A. 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
- establish appropriate 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.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager 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. In 2013, the Group paid non-executive directors a total of \$145,802 (2012: \$143,349).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to directors are reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

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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 CEO and other senior executives.

Remuneration consists of fixed remuneration under an employment or consultancy agreement and may include long term equity-based incentives that are subject to satisfaction of performance conditions. 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 managers 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.

Remuneration policy and performance

Other than the CEO, Ms Halasz, none of the director's remuneration is 'at risk' remuneration. Refer page 9 for further information on Ms Halasz's remuneration.

B. Details of remuneration (audited)

Details of the remuneration of the directors and key management personnel 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.

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2013

| Name | Short-term benefits | | | Post employment Benefits | | Share-based payment | Total |
|---|----------------------|------------|-----------------------|--------------------------|---------------------|---------------------|----------------|
| | Cash salary and fees | Cash bonus | Non-monetary benefits | Superannuation | Retirement benefits | Options | |
| <i>Non-executive directors</i> | | | | | | | |
| David King (Chairman) | 65,000 | - | - | 5,850 | - | - | 70,850 |
| Robin Beaumont ² | 4,767 | - | - | - | - | - | 4,767 |
| Graeme Kaufman | 34,058 | - | - | 3,065 | - | - | 37,123 |
| Martin Rogers | 33,062 | - | - | - | - | - | 33,062 |
| Total non-executive directors | 136,887 | - | - | 8,915 | - | - | 145,802 |
| <i>Executive directors and key management</i> | | | | | | | |
| Maria Halasz | 400,000 | - | - | 36,000 | - | - | 436,000 |
| Nicholas Falzon ¹ | - | - | - | - | - | - | - |
| Total executive directors and key management | 400,000 | - | - | 36,000 | - | - | 436,000 |
| Total | 536,887 | - | - | 44,915 | - | - | 581,802 |

1. Nicholas Falzon, company secretary, was appointed on 6 October 2010, is a partner of Lawler Partners Pty Ltd who provides accounting and company secretarial services to Cellmid Limited. The contract is based on normal commercial terms. A total of \$92,125 (2012 \$75,250) was received by Lawler Partners Pty Limited in relation to this contract for the year.
2. Robin Beaumont resigned as director on 27th August 2012.

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2012

| Name | Short-term benefits | | | Post employment Benefits | | Share-based payment | Total |
|---|----------------------|------------|-----------------------|--------------------------|---------------------|---------------------|----------------|
| | Cash salary and fees | Cash bonus | Non-monetary benefits | Superannuation | Retirement benefits | Options | |
| <i>Non-executive directors</i> | | | | | | | |
| David King (Chairman) | 65,000 | - | - | 5,850 | - | - | 70,850 |
| Robin Beaumont | 30,000 | - | - | - | - | 42,499 | 72,499 |
| Total non-executive directors | 95,000 | - | - | 5,850 | - | 42,499 | 143,349 |
| <i>Executive directors and key management</i> | | | | | | | |
| Maria Halasz | 400,000 | - | - | 36,000 | - | 30,500 | 466,500 |
| Nicholas Falzon ¹ | - | - | - | - | - | - | - |
| Total Executive directors and key management | 400,000 | - | - | 36,000 | - | - | 466,500 |
| Total | 495,000 | - | - | 41,850 | - | - | 609,849 |

1. Nicholas Falzon, company secretary, was appointed on 6 October 2010, is the partner of Lawler Partners Pty Ltd who provides accounting and company secretarial services to Cellmid Limited. The contract is based on normal commercial terms. A total of \$75,250 (2011 \$52,300) was received by Lawler Partners Pty Limited in relation to this contract for the year.

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DIRECTORS' REPORT**

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| Name | Fixed remuneration | | At risk STI | | At risk LTI | |
|---|--------------------|------|-------------|------|-------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Directors | | | | | | |
| David King | 100% | 100% | - | - | - | - |
| Maria Halasz | 100% | 96% | - | - | - | 4% |
| Robin Beaumont | 100% | 41% | - | - | - | 59% |
| Graeme Kaufman | 100% | n/a | - | - | - | n/a |
| Martin Rogers | 100% | n/a | - | - | - | n/a |
| Other company and Group executives | | | | | | |
| Nicholas Falzon | 100% | 100% | - | - | - | - |
| Andrew Bald | 100% | n/a | - | n/a | - | - |

C. Service agreements

The CEO, Maria Halasz, is an employee of the group under an agreement signed on 21 September 2007. Under the terms of the present contract:

- Ms Halasz may resign from her position and thus terminate this contract by giving six months' written notice. On resignation any unvested options will be forfeited.
- The group may terminate the employment agreement 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. On termination with cause, any unvested options will immediately be forfeited.
- Ms Halasz's employment agreement provides for issuing performance incentives subject to the discretion of the board. During the 2013 financial year there has been no performance incentive issued to Ms Halasz.

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D. Share-based compensation

Options

2013

| | Options Granted in 2013 | Value of options at grant date | Options Vested In 2013 | Value of options expensed in 2013 | Proportion of Remuneration |
|-------------------|-------------------------------|-----------------------------------|---------------------------|---|-------------------------------|
| | | | | \$ | % |
| Maria Halasz | - | - | - | - | 0% |
| David King | - | - | - | - | 0% |
| Graeme Kaufman | - | - | - | - | 0% |
| Martin Rogers | - | - | - | - | 0% |
| Robin Beaumont | - | - | - | - | 0% |
| Total | - | - | - | - | 0% |

No options were granted to the directors as share-based compensation during the financial year.

No options have been granted since the end of the financial year.

This concludes the remuneration report which has been audited.

Loan to directors and executives

There were no loans to directors or executives during or since the end of the year.

Shares under option

Unissued ordinary shares of Cellmid under option at the date of this report are as follows:

| | Expiry Date | Exercise Price | Number under option |
|------------------|------------------|----------------|---------------------|
| Unlisted options | 19 March 2014 | \$0.05 | 27,198,435 |
| Unlisted options | 01 June 2014 | \$0.05 | 8,250,000 |
| Unlisted options | 01 July 2014 | \$0.05 | 5,002,006 |
| Unlisted options | 20 November 2014 | \$0.056 | 7,000,000 |
| Unlisted options | 20 November 2014 | \$0.035 | 2,000,000 |
| Unlisted options | 19 February 2015 | \$0.062 | 600,000 |
| Unlisted options | 15 November 2015 | \$0.10 | 100,000 |
| Unlisted options | 15 November 2016 | \$0.03 | 3,971,962 |
| Listed options | 23 October 2016 | \$0.034 | 290,542,770 |
| Unlisted options | 15 June 2017 | \$0.032 | 5,000,000 |
| Unlisted options | 14 August 2017 | \$0.034 | 1,440,000 |
| Total | | | 351,105,173 |

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No shares were issued on the exercise of options during the income year ended 30 June 2013 (2012: nil).

No amounts are unpaid on any of the shares for the 2013 income year (2012:\$nil).

2,000,000 options were lapsed during the income year ended 30 June 2013 (2012: 6,599,995).

Director and Officer Insurance

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.

Indemnifying Officers or Auditor

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 *Corporation Act 2001*, an indemnity in respect of liability to persons other 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.

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.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

**CELLMID LIMITED
and Controlled Entities
DIRECTORS' REPORT**

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 and/or the Group are important.

Details of the amounts paid or payable to the auditor, BDO (formerly PKF) for audit and non-audit services provided during the year are set out below.

| | Consolidated group | |
|--|---------------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| – auditing or reviewing the financial statements | | |
| <i>BDO (formerly PKF)</i> | 54,900 | 45,000 |
| – BDO Japan | 10,200 | - |
| | 65,100 | 45,000 |

Rounding off of amounts

The Company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the annual financial report are rounded off to a dollar, unless otherwise indicated.

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 15 for the annual report ended 30 June 2013.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors

Director

Dr David King

Sydney

Dated this day of 28 August 2013

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF CELLMID LIMITED

As lead auditor of Cellmid Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cellmid Limited and the entities it controlled during the period.



Arthur Milner
Partner

BDO East Coast Partnership
Sydney, 28 August 2013

**CELLMID LIMITED
and Controlled Entities
Annual Financial Report**

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the recommendations of the ASX Corporate Governance Council (including 2010 amendments) have been applied for the entire financial year ended 30 June 2013 (ASX Principles).

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of independent directors that have served on the board of directors of the company (Board) during the period are:

- David King
- Robin Beaumont (Resigned on 27 August 2012)
- Graeme Kaufman (Appointed on 27 August 2012)
- Martin Rogers (Appointed on 19 September 2012)

Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinions free of concern about their position or the position of any third party. The Board does not believe it is possible to draft a list of criteria which is appropriate to characterise, in all circumstances, whether a non-executive director is independent. However, in determining the independent status of a director the Board will consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is employed, or has previously been employed in an executive capacity by the company or another group member;
- has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the company or another group member other than as a director.

In some cases the Board needs to make an assessment of the materiality of a relationship in order to determine if a director is independent. A "material relationship" includes a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the director's decisions in relation to the company. When considering whether a relationship is "material", the Board will consider the materiality to each of the company, the director and the person or organisation with which the director is related (as customer, supplier, or adviser). The Board has not set materiality thresholds, considering it more effective to assess relationships on the individual circumstances applicable on a case-by-case basis and where appropriate, with the assistance of external advice.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the company.

David King, Graeme Kaufman and Martin Rogers are members of the nomination committee. These members have attended meetings of the nomination committee on an ad hoc basis as needed during the year. When appointing new directors, the Board and the nomination committee look to ensure that an appropriate balance of skills, experience, expertise and diversity is maintained. The Board has not approved a formal nomination committee charter and as such, no such charter or summary of such charter is disclosed on the company's website.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the code of conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and Board diversity and the importance of benefiting from all available talent.

The Board believes that the company benefits from this diversity.

However, due to the size of the company and small number of persons employed by the company and its controlled entities, the Board has not established a formal diversity policy in accordance with Recommendation 3.2 of the ASX Principles. As such and for the same reasons, the company is not able to disclose in this annual report the measurable objectives for achieving gender diversity in accordance with the diversity policy and progress towards achieving those objectives.

The company is able to disclose the following gender diversity statistics for the company and its controlled entities as at the date of this annual report:

- women employees (67%);
- women in senior executive positions (57%); and
- women on the Board (25%).

Trading Policy

The company has a policy on the sale and purchase of its securities by its directors and employees. In addition, this policy applies to advisers, contractors and consultants who may obtain confidential or price sensitive information in relation to the company.

The purpose of the policy is to avoid conduct known as 'insider trading'. In some respects, the Company's policy extends beyond the strict requirements of the Corporations Act 2001 (Cth) (Corporations Act).

Audit Committee

The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report.

CEO/CFO Declaration

As required by section 295A of the Corporations Act, the CEO and CFO have declared that in their opinion:

- a. the financial records of the company and controlled entities for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;
- b. the financial statements and notes for the financial year comply with accounting standards;
- c. the financial statements and notes for the financial year give a true and fair view of the financial position and performance of the company and its controlled entities in accordance section 297 of the Corporations Act;
- d. any other matters prescribed by the Corporations Regulations in relation to the financial statements and notes for the financial year have been satisfied.

In addition, in accordance with Recommendation 7.3 of the ASX Principles, the CEO and CFO stated to the Board that, the declaration provided under section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Performance Evaluation

An annual performance evaluation of the Board has not been made during the year.

A performance evaluation for the CEO has taken place during the financial year in accordance with the evaluation process disclosed by the Company. This evaluation has been conducted by the Chairman on a quarterly basis during the year with regard to performance measures set at the commencement of the year.

A performance evaluation for other senior management has been conducted by the CEO during the financial year in accordance with the evaluation process disclosed by the Company.

Board Roles and Responsibilities

The Board is first and foremost accountable to its shareholders through delivery of timely and balanced disclosures.

The Board sought external guidance to assist the drafting of its "Board Charter" which has been made publicly available on the company's website. This document details the adopted practices and processes in relation to matters reserved for the Board's consideration and decision-making. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors and changes to the constitution. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of the company, to lodge questions to be answered by the Board and/or the CEO, and are able to appoint proxies.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight and is required to report to the Board on whether such risks are being managed effectively. The effectiveness of the implemented internal controls is monitored and reviewed regularly. During the year, the CEO has reported to the Board as to the effectiveness of the company's management of its material business risks.

Remuneration Policies

The company's remuneration committee comprises of the following non-executive directors:

- David King (Chair, independent)
- Graeme Kaufman (independent)
- Martin Rogers (independent)

The remuneration committee reviews the senior executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice.

Executives may also be entitled to participate in the company's employee incentive plan.

The amounts of remuneration for all key management personnel for the company, including all monetary and non-monetary components, are detailed in the directors' report under the heading key management personnel compensation. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the consolidated group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Remuneration Committee

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

The Board has not approved a formal remuneration committee charter and as such, no such charter or summary of such charter is disclosed on the company's website.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

CELLMID LIMITED

Annual Financial Report – 30 June 2013

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CELLMID LIMITED
and Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

| | Note | Consolidated Group 2013 \$ | 2012 \$ |
|---|------|----------------------------------|---------------------------|
| Revenue | | | |
| Revenue | 3 | 541,649 | 132,826 |
| Other revenue | 3 | 170,764 | 38,447 |
| Other income | 3 | 48,875 | - |
| | | <u>761,288</u> | <u>171,273</u> |
| Less Expenditure | | | |
| Cost of sales | | 84,606 | 33,157 |
| Advertisement & marketing expenses | | 214,411 | 58,454 |
| Bad debts | | 1,227 | - |
| Consultancy expenses | | 422,171 | 300,122 |
| Communication expenses | | 37,122 | 38,339 |
| Depreciation and amortisation expenses | | 16,634 | 11,419 |
| Director's remuneration | | 150,640 | 108,350 |
| Employee benefits expenses | | 885,483 | 873,947 |
| Finance costs | | 1,124 | 39,714 |
| (Gain) / Loss on foreign exchange | | (13,338) | (49,237) |
| Reclassification of impairment loss on available for sale asset | 20 | - | 7,090 |
| Occupancy expenses | | 102,058 | 95,864 |
| Professional fees | | 108,434 | 164,721 |
| Research and development expenses | | 475,361 | 599,047 |
| Share - based compensation | | 4,032 | 228,999 |
| Subscriptions expenses | | 71,035 | 88,018 |
| Travel expenses | | 201,255 | 155,674 |
| Other expenses | | <u>326,206</u> | <u>126,598</u> |
| | | <u>3,088,461</u> | <u>2,880,276</u> |
| Loss before income tax | 4 | (2,327,173) | (2,709,003) |
| Income tax benefit | 5 | <u>785,866</u> | <u>736,520</u> |
| Loss for the year | | (1,541,307) | (1,972,483) |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive loss for the year | | <u>(1,541,307)</u> | <u>(1,972,483)</u> |
| Net loss attributable to | | | |
| Owners of Cellmid Limited | | <u>(1,528,041)</u> | <u>(1,970,360)</u> |
| Non-controlling interests | | <u>(13,266)</u> | <u>(2,123)</u> |
| | | <u>(1,541,307)</u> | <u>(1,972,483)</u> |

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CELLMID LIMITED
and Controlled Entities**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

| | Note | Consolidated Group | |
|---|------|--------------------|--------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Earnings per share for loss attributable to the ordinary equity holders of the company | | Cents | Cents |
| Basic earnings per share (cents) | 8 | (0.27) | (0.46) |
| Diluted earnings per share (cents) | 8 | (0.27) | (0.46) |

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CELLMID LIMITED
and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

| | Note | Consolidated Group | |
|--|------|--------------------|------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9 | 1,754,994 | 1,050,593 |
| Trade and other receivables | 10 | 255,695 | 71,168 |
| Inventories | 11 | 1,694,926 | 1,289,237 |
| Other assets | 15 | 73,321 | 30,638 |
| TOTAL CURRENT ASSETS | | 3,778,936 | 2,441,636 |
| NON-CURRENT ASSETS | | | |
| Other financial assets | 12 | - | 42,910 |
| Plant and equipment | 13 | 51,633 | 32,276 |
| Intangibles assets | 14 | 2,163,150 | 1,440 |
| TOTAL NON-CURRENT ASSETS | | 2,214,783 | 76,626 |
| TOTAL ASSETS | | 5,993,719 | 2,518,262 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | 501,299 | 258,577 |
| Provisions | 17 | 134,755 | 135,448 |
| TOTAL CURRENT LIABILITIES | | 636,054 | 394,025 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 17 | 52,508 | 34,753 |
| TOTAL NON-CURRENT LIABILITIES | | 52,508 | 34,753 |
| TOTAL LIABILITIES | | 688,562 | 428,778 |
| NET ASSETS | | 5,305,157 | 2,089,484 |
| EQUITY | | | |
| Contributed equity | 18 | 25,336,522 | 20,799,831 |
| Reserves | 19 | 1,966,375 | 1,746,085 |
| Accumulated Losses | 19 | (21,969,496) | (20,441,455) |
| Capital and reserves attributable to owners of Cellmid Limited | | 5,333,401 | 2,104,461 |
| Non-controlling interest | | (28,244) | (14,978) |
| TOTAL EQUITY | | 5,305,157 | 2,089,483 |

This consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CELLMID LIMITED
and Controlled Entities**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

| Consolidated Group | Attributable to owners of Cellmid Limited | | | | | | | | Total equity |
|--|---|------------------------------|-----------------|--------------------------|----------------------------|---------------------|--------------------|----------------------------|--------------------|
| | Issued Capital | Share Based Payments Reserve | Reserves | | | Accumulated Losses | Total | Non - controlling interest | |
| | | | General Reserve | Foreign exchange reserve | Available for Sale Reserve | | | | |
| Note | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Balance at 1 July 2011 | 18,838,712 | 1,660,231 | - | - | 10,120 | (18,471,095) | 2,037,968 | - | 2,037,968 |
| Loss for the year as reported in the 2011 financial statements | - | - | - | - | - | (1,970,360) | (1,970,360) | (2,123) | (1,972,483) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year 30 June 2012 | - | - | - | - | - | (1,970,360) | (1,970,360) | (2,123) | (1,972,483) |
| Transactions with equity holders: | | | | | | | | | |
| Contributions of equity | 1,805,120 | - | (11,005) | - | - | - | 1,794,115 | 21,005 | 1,815,120 |
| Share based compensation | 156,000 | - | - | - | - | - | 156,000 | - | 156,000 |
| Movement in share based payment reserve | - | 62,999 | - | - | - | - | 62,999 | - | 62,999 |
| Movement in available for sale reserve | - | - | - | - | (10,120) | - | (10,120) | - | (10,120) |
| Net movement as a result of shares issued to minority interest | - | - | 33,860 | - | - | - | 33,860 | (33,860) | - |
| Total | 1,961,120 | 62,999 | 22,855 | - | (10,120) | (1,970,360) | 66,494 | (14,978) | 51,516 |
| Balance at 30 June 2012 | 20,799,832 | 1,723,230 | 22,855 | - | - | (20,441,455) | 2,104,462 | (14,978) | 2,089,484 |
| Balance at 1 July 2012 | 20,799,832 | 1,723,230 | 22,855 | - | - | (20,441,455) | 2,104,462 | (14,978) | 2,089,484 |
| Loss for the year as reported in the 2013 financial statements | - | - | - | - | - | (1,528,041) | (1,528,041) | (13,266) | (1,541,307) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year 30 June 2013 | - | - | - | - | - | (1,528,041) | (1,528,041) | (13,266) | (1,541,307) |
| Transactions with equity holders: | | | | | | | | | |
| Contributions of equity | 4,536,690 | - | - | - | - | - | 4,536,690 | - | 4,536,690 |
| Share based compensation | - | 4,033 | - | - | - | - | 4,033 | - | 4,033 |
| Movement in share based payment reserve | - | - | - | - | - | - | - | - | - |
| Movement in available for sale reserve | - | - | - | - | - | - | - | - | - |
| Movement in foreign exchange reserve | - | - | - | 216,257 | - | - | 216,257 | - | 216,257 |
| Net movement as a result of shares issued to minority interest | - | - | - | - | - | - | - | - | - |
| Total | 4,536,690 | 4,033 | - | 216,257 | - | - | 4,756,980 | - | 4,756,980 |
| Balance at 30 June 2013 | 25,336,522 | 1,727,263 | 22,855 | 216,257 | - | (21,969,496) | 5,333,401 | (28,244) | 5,305,157 |

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CELLMID LIMITED
and Controlled Entities**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

| | Note | Consolidated Group | |
|---|-----------|--------------------|--------------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts (inclusive of GST) | | 644,080 | 116,225 |
| Payments to suppliers and employees (inclusive of GST) | | (2,552,229) | (1,977,623) |
| Research and development expenses | | (475,361) | (599,047) |
| Interest received | | 30,833 | 5,370 |
| Income tax benefit | | 785,866 | 736,520 |
| Other grant income | | 115,167 | - |
| Finance costs | | (1,124) | (39,714) |
| Net cash used in operating activities | 20 | (1,452,768) | (1,758,269) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for acquisition of subsidiary, net of cash acquired | 28 | (803,911) | - |
| Proceeds on sale of financial asset | | 91,785 | - |
| Purchase of non-current assets | | (26,734) | (31,931) |
| Net cash used in investing activities | | (738,860) | (31,931) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares (net of share issue costs) | | 2,864,561 | 1,805,120 |
| Repayment of borrowings | | - | (556,835) |
| Net cash provided by financing activities | | 2,864,561 | 1,248,285 |
| Net increase / (decrease) in cash held | | 672,933 | (541,915) |
| Cash and cash equivalents at beginning of financial year | | 1,050,593 | 1,592,508 |
| Effect of exchange rate changes | | 31,468 | - |
| Cash and cash equivalents at end of financial year | 9 | 1,754,994 | 1,050,593 |

This consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The company is a public company, listed on the Australian Stock Exchange. It is incorporated in Australia and is domiciled in Australia.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB)

The financial statements comprise the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 28 August 2013.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, except for certain non-current assets and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The preparation of financial statements in conformity with AIFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 21.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The Group has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Going Concern*

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Based on anticipated levels of operational cash flow, the Group has sufficient cash to fund current operations for more than one year.

b. *Principles of Consolidation*

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Cellmid Limited at the end of the reporting period. A controlled entity is any entity over which Cellmid Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

c. *Segment Reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, is the Board of Directors.

d. *Revenue and Other Income Recognition*

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Government grants are recognised in profit and loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate, but not before the receipt of the grant is relatively certain.

e. *Income Tax*

The income tax expense (revenue) 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 between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

g. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

h. 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 weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net 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.

i. Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated 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.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Furniture and fittings | 20% |
| Office equipment | 6.7 - 33.33% |

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

CELLMID LIMITED
and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. Investments and Other Financial Assets

The Group classified its investments in the following categories: loans and receivables and available for sale financial assets.

The classification depends on the nature and purpose of the investment and is determined at the time of initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

Loan and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) *Available-for-sale financial assets*

Listed shares and listed redeemable notes held by the group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit and loss.

The fair value of available-for-sale assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit and loss are determined based on the amortised cost of the monetary asset. Other foreign gains and losses are recognised in other comprehensive income.

k. Intangibles Other than Goodwill

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. The Group has determined the useful life of the intangible assets at 20 years. There is no amortisation charge to the intangible assets in the 2013 financial Year.

Research and development

Expenditure on research activities is recognised as an expense in the period in which is incurred.

Expenditure on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

CELLMID LIMITED
and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

l. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. 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. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard.

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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

m. 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.

n. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

o. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within the income year have been measured at the amounts expected to be paid when the liability is settled. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements.

Wages and salaries, annual leave and sick leave

Liability for wages and salaries, including non monetary benefits, annual 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.

Long service leave

Liability for long service leave 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, experience of employee departures and period of service.

Retirement benefit obligations

Contributions to the defined contribution fund 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.

**CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employee Benefits (continued)

Share-based payments

The fair value of options granted is recognised as a benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors and executives become unconditionally entitled to the options.

The fair value at grant date is determined using binomial 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.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The benefit expense recognised each period takes into account the most recent estimate.

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, are credited to share capital.

p. **Equity-settled compensation**

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

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, are credited to share capital.

q. **Functional and Presentation Currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. 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 assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

s. Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

t. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the 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.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

u. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

v. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1.

w. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the group has decided not to early adopt. A discussion of those future requirements as they apply to the group and their impact on the group is as follows:

- AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The Group will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the Group has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

- AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the Group such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Group from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)***
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability of the Group.

- ***AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement***
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Group.

- ***AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards***
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Group.

- ***AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle***
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the Group.

- ***AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039***
This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the Group.

**CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments***

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the Group.

**CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2 : PARENT INFORMATION

| | 2013 | 2012 |
|---|---------------------------|---------------------------|
| | \$ | \$ |
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current assets | <u>2,500,986</u> | <u>2,719,856</u> |
| TOTAL ASSETS | <u>6,273,428</u> | <u>2,794,729</u> |
| LIABILITIES | | |
| Current Liabilities | <u>480,084</u> | <u>380,914</u> |
| TOTAL LIABILITIES | <u>532,593</u> | <u>415,667</u> |
| NET ASSETS | <u>5,740,835</u> | <u>2,379,062</u> |
| EQUITY | | |
| Contributed equity | 25,273,651 | 20,799,832 |
| Accumulated losses | (21,317,677) | (20,144,000) |
| Share based payment reserve | <u>1,784,862</u> | <u>1,733,350</u> |
| TOTAL EQUITY | <u>5,740,836</u> | <u>2,389,182</u> |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Loss of the parent entity | <u>(1,173,677)</u> | <u>(1,842,581)</u> |
| Total comprehensive income | <u>(1,173,677)</u> | <u>(1,842,581)</u> |

CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3 : REVENUE AND OTHER INCOME

| | Consolidated Group | |
|---|---------------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Revenue from continuing operations | | |
| Sales revenue : | | |
| - sale of goods | 541,649 | 132,826 |
| | 541,649 | 132,826 |
| Other revenue: | | |
| - interest received | 30,833 | 5,370 |
| - government grants received | 115,167 | - |
| - rental revenue | 24,000 | 24,000 |
| - royalties | 358 | 704 |
| - other revenue | 406 | 8,373 |
| | 170,764 | 38,447 |
| Total revenue | 712,413 | 171,273 |
| Other income: | | |
| - Gain on disposal of financial assets | 48,875 | - |
| Total other income | 48,875 | - |

NOTE 4 : LOSS FOR THE YEAR

| | Consolidated Group | |
|---|---------------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Loss before income tax from continuing operations includes the following specific expenses : | | |
| Cost of sales | (84,606) | (33,157) |
| Finance costs | (1,124) | (39,714) |
| Employee benefits expenses | (813,602) | (810,563) |
| Defined contribution superannuation expenses | (71,880) | (63,384) |
| Foreign currency translation gain/(losses) | 13,338 | 49,237 |
| Rental expenses on operating leases: | | |
| - minimum lease payments | (95,842) | (91,176) |
| Depreciation and amortisation | | |
| - Plant and equipment | (16,634) | (11,419) |
| Research and development expense | (475,361) | (599,047) |

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 5 : INCOME TAX EXPENSE

| | Consolidated Group | |
|--|---------------------------|-----------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| a. The components of tax expense comprise: | | |
| Income tax benefit | <u>785,866</u> | <u>736,520</u> |
| | <u>785,866</u> | <u>736,520</u> |
| b. Numerical reconciliation of income tax expense to | | |
| Loss before income tax expense | (2,327,173) | (2,709,003) |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012 : 30%) | (698,152) | (812,701) |
| Add: | | |
| Tax effect of: | | |
| Research and development expenditure | 396,695 | 523,910 |
| Share based payment | 1,210 | 68,700 |
| Deduction on un-deducted & R&D core technology expenditure | (190,438) | (190,438) |
| Impairment loss on asset revaluation | - | 2,127 |
| Sundry items | 6,406 | 13,313 |
| | <u>213,873</u> | <u>417,612</u> |
| Adjusted income tax | <u>(484,279)</u> | <u>(395,089)</u> |
| Tax losses not brought to account | <u>484,279</u> | <u>395,089</u> |
| Research and development tax benefit | <u>785,866</u> | <u>736,520</u> |
| Income tax benefit | <u>785,866</u> | <u>736,520</u> |

A \$785,866 (2012 \$736,520) research and development tax offset was received for a claim in accordance with the Commonwealth Government's Research and Development Tax Incentive.

| | | |
|---|--------------------------|--------------------------|
| c. Tax losses | | |
| Carried forward unused tax losses | 11,853,317 | 10,536,355 |
| Current unused tax losses for which no deferred tax asset has been recognised | <u>1,614,264</u> | <u>1,316,962</u> |
| Total | <u>13,467,581</u> | <u>11,853,317</u> |
| Potential future tax benefit at notional tax rate 30% | <u>4,040,274</u> | <u>3,555,995</u> |

All unused tax losses were incurred by Australian entities.

This income tax benefit arose from losses will only be obtained if:

- i. The group derives future assessable income of a nature and of an amount sufficient to enable 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; and
 - iii. No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.
- d.** As Advangen International Pty Ltd ceased to be a wholly owned subsidiary of Cellmid Limited on 13 March 2012, it ceased to be part of the tax consolidated group from that date.

**CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 6 : 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:

- David King (Chairman)
- appointed from 18 January 2008 to current
- Ms Maria Halasz (Chief Executive Officer)
- appointed from 19 November 2007 to current
- Mr Robin Beaumont (Non executive)
- appointed from 12 October 2009 to 27 August 2012
- Mr Graeme Kaufman (Non executive)
- appointed from 27 August 2012 to current
- Mr Martin Rogers (Non executive)
- appointed from 19 September 2012 to current
- Mr Nicholas Falzon (Secretary and Financial Controller)
- appointed from 6 October 2010 to current
- Mr Andrew Bald (Secretary)
- appointed from 6 August 2012 to 8 April 2013
- Ms Jillian McGregor (Secretary)
- appointed from 16 July 2013 to current

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 2013.

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

| | 2013 | 2012 |
|--------------------------------|---------|---------|
| | \$ | \$ |
| Short - term employee benefits | 536,887 | 495,000 |
| Post - employment benefits | 44,915 | 41,850 |
| Share - based payments | - | 72,999 |
| | 581,802 | 609,849 |

c. *Equity instrument disclosures relating to key management personnel*

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration, together with terms and conditions of the options, can be found in note 18.

**CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 6 : INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (CONTINUED)

(i) KMP Options Holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Cellmid Limited and other key management personnel of the group, including their personally related parties, are set out as table below.

| 30/06/13 | Balance at Beginning of the Year | Granted as remuneration during the Year | Exercised during the Year | Other changes during the Year | Balance at end of Year | Vested and Exercisable at the end of the Year |
|---------------------------------------|--|---|---------------------------------|----------------------------------|---------------------------|--|
| <i>Directors of Cellmid Limited</i> | | | | | | |
| M Halasz | 17,000,000 | - | - | (637,375) | 16,362,625 | 16,362,625 |
| D King | - | - | - | 11,250,000 | 11,250,000 | 11,250,000 |
| R Beaumont | 3,971,962 | - | - | - | 3,971,962 | 3,971,962 |
| G Kaufman | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 |
| M Rogers | - | - | - | 44,000,000 | 44,000,000 | 44,000,000 |
| <i>Other key management personnel</i> | | | | | | |
| J McGregor | - | - | - | - | - | - |
| N Falzon | - | - | - | - | - | - |
| A Bald | - | - | - | - | - | - |

Maria Halasz owns 16,362,625 options indirectly.

David King owns 11,250,000 options indirectly.

Martin Rogers owns 44,000,000 options indirectly.

| 30/06/12 | Balance at Beginning of the Year | Granted as remuneration during the Year | Exercised during the Year | Other changes during the Year | Balance at end of Year | Vested and Exercisable at the end of the Year |
|---------------------------------------|--|---|---------------------------------|----------------------------------|---------------------------|--|
| <i>Directors of Cellmid Limited</i> | | | | | | |
| M Halasz | 12,000,000 | 5,000,000 | - | - | 17,000,000 | 17,000,000 |
| D King | - | - | - | - | - | - |
| R Beaumont | - | 3,971,962 | - | - | 3,971,962 | 3,971,962 |
| <i>Other key management personnel</i> | | | | | | |
| N Falzon | - | - | - | - | - | - |

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 6 : INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (CONTINUED)

(ii) KMP Shareholdings

The numbers of shares in the Company held during the financial year by each director and key management personnel of Cellmid Limited, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

| 30/06/13 | Balance at Beginning of the Year | Received during the Year on the exercise of Options | Other Changes during the Year | Balance at the end of the Year |
|---------------------------------------|--|--|----------------------------------|-----------------------------------|
| <i>Directors of Cellmid Limited</i> | | | | |
| M Halasz | 2,725,250 | - | 4,024,750 | 6,750,000 |
| D King | 22,500,000 | - | - | 22,500,000 |
| R Beaumont | 1,875,000 | - | - | 1,875,000 |
| G Kaufman | - | - | - | - |
| M Rogers | - | - | 5,155,700 | 5,155,700 |
| <i>Other key management personnel</i> | | | | |
| A Bald | - | - | - | - |
| J McGregor | - | - | - | - |
| N Falzon | - | - | - | - |

Maria Halasz owns 5,700,000 shares indirectly.

David King owns 22,500,000 shares indirectly.

Robin Beaumont owns 1,875,000 shares indirectly.

Martin Rogers owns 5,155,700 shares indirectly.

| 30/06/12 | Balance at Beginning of the Year | Received during the Year on the exercise of Options | Other Changes during the Year | Balance at the end of the Year |
|---------------------------------------|--|--|----------------------------------|-----------------------------------|
| <i>Directors of Cellmid Limited</i> | | | | |
| M Halasz | 1,365,000 | - | 1,360,250 | 2,725,250 |
| D King | 13,476,669 | - | 9,023,331 | 22,500,000 |
| R Beaumont | 700,000 | - | 1,175,000 | 1,875,000 |
| <i>Other key management personnel</i> | | | | |
| N Falzon | - | - | - | - |

Maria Halasz owns 2,725,250 shares indirectly.

David King owns 22,500,000 shares indirectly.

Robin Beaumont owns 1,875,000 shares indirectly.

(iii) Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

The chief executive officer is employed under an employment service contract.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 7 : AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and a non-related audit firm:

| | Consolidated Group | |
|---|---------------------------|----------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| – auditing or reviewing the financial statement | | |
| BDO | 54,900 | 45,000 |
| – BDO Japan | 10,200 | - |
| | <u>65,100</u> | <u>45,000</u> |

NOTE 8 : EARNINGS PER SHARE

| | Consolidated Group | |
|---|---------------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| a. Basic and diluted earnings per share : | | |
| Basic EPS and dilutive EPS | (0.27) | (0.46) |
| b. Loss used in calculating basic and diluted earnings per share : | | |
| Loss | (1,541,307) | (1,972,483) |
| c. Weighted average number of shares used as the denominator | | |
| | No. | No. |
| Weighted average number of ordinary shares used in calculating dilutive EPS | 563,832,659 | 427,266,234 |
| d. Information concerning the classification of securities. | | |

Options

Options granted to executives and directors are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. In the year ended 30 June 2013, these options were in fact anti-dilutive, and consequently diluted EPS is the same as basic EPS. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 18.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 9 : CASH AND CASH EQUIVALENTS

| | Consolidated Group | |
|--------------------------|---------------------------|-------------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Cash at bank and in hand | <u>1,754,994</u> | <u>1,050,593</u> |
| | <u>1,754,994</u> | <u>1,050,593</u> |

The effective interest rate on short term bank deposits was 3.5 - 4.5% (2012: 3.5-4.5%); these deposits were all on call.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | |
|---------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | <u>1,754,994</u> | 1,050,593 |
| | <u>1,754,994</u> | <u>1,050,593</u> |

NOTE 10 : TRADE AND OTHER RECEIVABLES

| | Consolidated Group | |
|---|---------------------------|----------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Trade receivables | 41,123 | 52,791 |
| Other receivables | <u>214,572</u> | <u>18,377</u> |
| Total current trade and other receivables | <u>255,695</u> | <u>71,168</u> |

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 10. 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.

No receivables are past due or impaired.

NOTE 11 : INVENTORIES

| | Consolidated Group | |
|---|---------------------------|-------------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Inventory at lower of cost and net realisable value | <u>1,694,926</u> | <u>1,289,237</u> |
| Total inventories | <u>1,694,926</u> | <u>1,289,237</u> |

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 12 : OTHER FINANCIAL ASSETS

| | Note | Consolidated Group | |
|--|------|--------------------|---------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| Available-for-sale financial assets | | - | 42,910 |
| Total non-current financial assets | | <u>-</u> | <u>42,910</u> |
| | | | |
| Available-for-sale financial assets | | | |
| Listed investments, at fair value: | | | |
| – shares in listed corporations | | - | 42,910 |
| Total available-for-sale financial assets | | <u>-</u> | <u>42,910</u> |

NOTE 13: PLANT & EQUIPMENT

| | Note | Consolidated Group | |
|-----------------------------|------|--------------------|-----------------|
| | | 2013 | 2012 |
| | | \$ | \$ |
| PLANT AND EQUIPMENT | | | |
| Plant and equipment at Cost | | 366,065 | 129,759 |
| Accumulated depreciation | | <u>(314,432)</u> | <u>(97,483)</u> |
| Total plant and equipment | | <u>51,633</u> | <u>32,276</u> |

| | Note | Plant and Equipment | Total |
|---|------|------------------------|-----------------|
| | | \$ | \$ |
| Consolidated Group | | | |
| Balance at 1 July 2011 | | 11,764 | 11,764 |
| Additions | | 31,931 | 31,931 |
| Disposals | | - | - |
| Depreciation expense | | <u>(11,419)</u> | <u>(11,419)</u> |
| Balance at 30 June 2012 | | <u>32,276</u> | <u>32,276</u> |
| Additions through business combinations | 28 | 9,257 | 9,257 |
| Additions | | 26,734 | 26,734 |
| Disposals | | - | - |
| Depreciation expense | | <u>(16,634)</u> | <u>(16,634)</u> |
| Balance at 30 June 2013 | | <u>51,633</u> | <u>51,633</u> |

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 14: INTANGIBLE ASSETS

| | Trademarks & Licences \$ |
|--|---|
| Consolidated Group: | |
| Balance at 1 July 2012 | 1,440 |
| Intangibles acquired with acquisition of Advangen Incorporated (Note 28) | |
| Patent 1 | 1,441,140 |
| Patent 2 | 720,570 |
| Closing value at 30 June 2013 | 2,163,150 |

Intangible assets, other than goodwill, have finite useful lives. The Group has determined the useful life of the intangible asset at 20 years.

There is no amortisation charge to the intangible assets in the 2013 financial year.

The net exchange difference regarding intangible assets acquired with the acquisition of Advangen Incorporated arising on the translation of a foreign operation into the presentation currency is \$152,805 (2012: Nil).

NOTE 15: OTHER ASSETS

| | Consolidated Group | |
|--------------------|---------------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Prepayments | 73,321 | 30,638 |
| Total other assets | 73,321 | 30,638 |

NOTE 16: TRADE AND OTHER PAYABLES

| | Consolidated Group | |
|--------------------------------------|---------------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Unsecured liabilities | | |
| Trade payables | 271,936 | 112,702 |
| Sundry payables and accrued expenses | 229,363 | 145,875 |
| Total trade and other payables | 501,299 | 258,577 |

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17: PROVISIONS

| | Employee Benefits | |
|-------------------------------------|--------------------------|-------------------------------|
| | Annual Leave | Long Service Leave |
| | \$ | \$ |
| Consolidated Group | | |
| Opening balance at 1 July 2012 | 135,448 | 34,753 |
| Additional (Reversal of) provisions | (693) | 17,755 |
| Balance at 30 June 2013 | <u>134,755</u> | <u>52,508</u> |

Analysis of total provisions

| | Consolidated Group | |
|-------------|---------------------------|----------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Current | 134,755 | 135,448 |
| Non-current | 52,508 | 34,753 |
| | <u>187,263</u> | <u>170,201</u> |

Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to annual leave and long service leave.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18: CONTRIBUTED EQUITY

| | Note | Consolidated Group | | | |
|--------------------------------------|------|--------------------|-------------|-------------------|-------------------|
| | | 2013 No. | 2012 No | 2013 \$ | 2012 \$ |
| a. Share Capital | | | | | |
| At the beginning of the year | | 520,843,117 | 392,634,129 | 20,741,843 | 18,780,723 |
| Shares issued during the year | | 129,626,962 | 128,208,988 | 3,962,418 | 1,961,120 |
| At the end of the year | 18.c | 650,470,079 | 520,843,117 | 24,704,261 | 20,741,843 |
| b. Options | | | | | |
| Balance at the beginning of the year | | 36,923,968 | 34,552,001 | 57,989 | 57,989 |
| Listed | | - | - | - | - |
| Other | | 317,181,205 | (6,599,995) | 574,272 | - |
| Directors | | - | 3,971,962 | - | - |
| Executives | | - | 5,000,000 | - | - |
| At the end of the year | 18.d | 354,105,173 | 36,923,968 | 632,261 | 57,989 |
| Total contributed equity | | | | 25,336,522 | 20,799,832 |

Capital Risk Management

The consolidated entity'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.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity 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.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18: CONTRIBUTED EQUITY (CONTINUED)

c. Movement in ordinary share capital

| Date | Details | Consolidated Group | | |
|------------|---|---------------------|-----------------|-------------------|
| | | Number of Shares | Issued price | \$ |
| | Opening balance 1 July 2011 | 392,634,129 | | 18,780,723 |
| 4/10/2011 | Share issue | 4,000,000 | 0.0390 | 156,000 |
| 2/12/2011 | Share issue | 23,560,944 | 0.0170 | 400,708 |
| 13/12/2011 | Share issue | 4,411,765 | 0.0160 | 71,250 |
| 13/01/2012 | Exercise of converting note options | 1,666,667 | 0.0120 | 20,000 |
| 24/01/2012 | Share issue | 22,500 | - | - |
| 17/02/2012 | Exercise of converting note options | 1,442,309 | 0.0104 | 15,000 |
| 20/02/2012 | Exercise of converting note options | 2,083,333 | 0.0096 | 20,000 |
| 27/02/2012 | Exercise of converting note options | 3,191,489 | 0.0094 | 30,000 |
| 2/03/2012 | Exercise of converting note options | 3,191,489 | 0.0094 | 30,000 |
| 16/03/2012 | Exercise of converting note options | 1,595,745 | 0.0094 | 15,000 |
| 28/03/2012 | Exercise of converting note options | 2,105,263 | 0.0095 | 20,000 |
| 4/04/2012 | Exercise of converting note options | 2,777,778 | 0.0090 | 25,000 |
| 12/04/2012 | Exercise of converting note options | 3,333,333 | 0.0090 | 30,000 |
| 20/04/2012 | Exercise of converting note options | 14,196,360 | 0.0090 | 127,767 |
| 4/05/2012 | Share issue | 12,283,641 | 0.0165 | 202,680 |
| 7/05/2012 | Share issue | 5,175,428 | 0.0165 | 85,395 |
| 30/05/2012 | Share issue | 31,689,481 | 0.0165 | 522,876 |
| 12/06/2012 | Share issue | 11,481,463 | 0.0165 | 189,444 |
| | Closing balance 30 June 2012 | 520,843,117 | | 20,741,843 |
| | Opening balance 1 July 2012 | 520,843,117 | | 20,741,843 |
| 27/07/2012 | Share issue | 24,242,424 | 0.0165 | 400,000 |
| 31/08/2012 | Capital raising costs | - | | (20,000) |
| 19/03/2013 | Share issue | 14,650,000 | 0.0400 | 586,000 |
| 20/03/2013 | Share issue | 14,991,359 | 0.0400 | 599,654 |
| 22/03/2013 | Share issue | 13,755,555 | 0.0400 | 550,222 |
| 27/03/2013 | Share issue | 6,250,000 | 0.0400 | 250,000 |
| 31/03/2013 | Capital raising costs | - | | (7,014) |
| 9/04/2013 | Capital raising costs | - | | (60,000) |
| 21/05/2013 | Capital raising costs | - | | (8,573) |
| 10/05/2013 | Cellmid FPO escrowed for 3 months from Issue | 7,500,000 | 0.0300 | 225,000 |
| 20/05/2013 | Cellmid FPO escrowed for 6 months from Issue | 10,217,822 | 0.0300 | 306,535 |
| 20/05/2013 | Cellmid FPO escrowed for 12 months from Issue | 38,019,802 | 0.0300 | 1,140,594 |
| | Closing balance 30 June 2013 | 650,470,079 | | 24,704,261 |

Ordinary shares

No limit has been set on the total number of ordinary shares that the Company may issue. The ordinary shares do not carry par value.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hand every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18: CONTRIBUTED EQUITY (CONTINUED)

d. Movement in options

| Date | Details | Consolidated Group | |
|------------|-------------------------------------|--------------------|----------------|
| | | Number of options | \$ |
| | Opening balance 1 July 2011 | 34,552,001 | 57,989 |
| 8-Jan-12 | Options lapsed | (549,995) | - |
| 7-Mar-12 | Options issued | 3,971,962 | - |
| 8-May-12 | Options lapsed | (6,050,000) | - |
| 12-Jun-12 | Options issued | 5,000,000 | - |
| | Closing balance 30 June 2012 | 36,923,968 | 57,989 |
| | Opening balance 1 July 2012 | 36,923,968 | 57,989 |
| 14/08/2012 | Options issued | 1,400,000 | - |
| 15/08/2012 | Options issued | 40,000 | - |
| 29/10/2012 | Options issued | 244,542,770 | 489,086 |
| 30/10/2012 | Options issued | 18,000,000 | 57,600 |
| 16/11/2012 | Options issued | 3,000,000 | 6,000 |
| 1/11/2012 | Capital Raising Costs | - | (22,908) |
| 1/12/2012 | Capital Raising Costs | - | (32,705) |
| 6/12/2012 | Options issues | 25,000,000 | 50,000 |
| 19/03/2013 | Options issues | 9,825,000 | 9,825 |
| 20/03/2013 | Options issues | 7,370,635 | 7,371 |
| 22/03/2013 | Options issues | 6,002,800 | 6,003 |
| 27/03/2013 | Options issues | 3,375,000 | 3,375 |
| 2/04/2013 | Options issues | 625,000 | 625 |
| 16/04/2013 | Options lapsed | (2,000,000) | - |
| | Closing balance 30 June 2013 | 354,105,173 | 632,261 |

Options

On 14th and 15th August 2012, 1,440,000 share options were granted to Mr Darren Jones, Ms Anita Hicks and Ms Erin Grant as part of the employee share scheme. The options are exercisable on or before 14th August 2017 with an exercise price at \$0.034 each. The options hold no voting or dividend rights and are not transferable.

On 30th October 2012, 18,000,000 share options were granted to Mr Martin Rogers in lieu of cash payment for consulting fees accrued prior to his directorship with Cellmid. The options are exercisable on or before 23rd October 2016 with an exercise price at \$0.034 each. The options hold no voting or dividend rights and are not transferable.

These options vested immediately on grant date. Further details of these options are provided in the directors' report. The options hold no voting or dividend rights and are not listed. During the financial year, no other options vested with key management personnel (2012: Nil).

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 19 : RESERVES AND ACCUMULATED LOSSES

a. Reserves

| | Consolidated Group | |
|---|---------------------------|------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Share based payment reserve | | |
| Balance 1 July | 1,723,230 | 1,660,231 |
| Option expense | 4,033 | 62,999 |
| Balance 30 June | <u>1,727,263</u> | <u>1,723,230</u> |
| <i>Options</i> | | |
| On 14th and 15th August 2012, 1,440,000 share options were granted to Mr Darren Jones, Ms Anita Hicks and Ms Erin Grant as part of the employee share scheme. The options are exercisable on or before 14th August 2017 with an exercise price at \$0.034 each. The options hold no voting or dividend rights and are not transferable. | | |
| Available for sale reserve | | |
| Balance 1 July | - | 10,120 |
| Gain (loss) on revaluation | - | (17,210) |
| | <u>-</u> | <u>(7,090)</u> |
| Reclassification impairment loss to profit and loss | - | 7,090 |
| Balance 30 June | <u>-</u> | <u>-</u> |
| General reserve | | |
| Balance 1 July | 22,855 | - |
| Net movement as a result of shares issued to minority interest | - | 33,860 |
| | <u>22,855</u> | <u>33,860</u> |
| Contributions of equity | - | (11,005) |
| Balance 30 June | <u>22,855</u> | <u>22,855</u> |
| Foreign exchange reserve | | |
| Balance 1 July | - | - |
| Foreign exchange expense | 216,257 | - |
| Balance 30 June | <u>216,257</u> | <u>-</u> |
| Foreign exchange reserve is the net exchange difference arising on the translation of the financial statements into the presentation currency and on the translation of a foreign operation into the presentation currency . | | |
| Total reserves | | |
| Balance 1 July | 1,746,085 | 1,670,351 |
| Revaluation, option expense and foreign exchange expense | 220,290 | 75,734 |
| Balance 30 June | <u>1,966,375</u> | <u>1,746,085</u> |

b. Accumulated losses

Movements in accumulated losses were as follows :

| | | |
|--------------------------------|---------------------|---------------------|
| Balance 1 July | (20,441,455) | (18,471,095) |
| Net income (loss) for the year | (1,528,041) | (1,970,360) |
| Balance 30 June | <u>(21,969,496)</u> | <u>(20,441,455)</u> |

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 20 : CASH FLOW INFORMATION

| | Consolidated Group | |
|---|---------------------------|--------------------|
| | 2013 | 2012 |
| | \$ | \$ |
| a. Reconciliation of Cash Flow from Operations with Loss after Income Tax | | |
| Loss for the year | (1,541,307) | (1,972,483) |
| Non - cash flows in loss: | | |
| – Depreciation and amortisation | 16,634 | 11,419 |
| – Share base payment | 4,033 | 228,999 |
| – Bad and doubtful debt | 1,227 | - |
| – Gain on sale of financial asset | (48,875) | - |
| – Impairment loss on non - current investment | - | 7,090 |
| Changes in assets and liabilities, net of the effects of purchase of subsidiaries : | | |
| – (increase)/decrease in trade and other receivables | 22,890 | (43,565) |
| – (increase)/decrease in prepayments | (11,583) | 617 |
| – (increase)/decrease in inventories | (59,303) | (192,055) |
| – increase/(decrease) in trade and other payables | 146,453 | 124,873 |
| – increase/(decrease) in provisions | 17,063 | 76,836 |
| Cash flow from operations | (1,452,768) | (1,758,269) |

NOTE 21 : CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

a. Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

i. Estimated impairment of intellectual property

The group tests annually whether intellectual property has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of the intellectual property have been 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.

NOTE 22 : EVENTS AFTER THE REPORTING PERIOD

There are two items which have occurred after the reporting date as follows:

- Pacific Edge have issued 1,084,622 shares to Cellmid having achieved their requisite milestone. The shares have been issued pursuant to the midkine diagnostic licence agreement signed on 17 May 2010; and
- The escrow shares issued during the year will be released within the next 12 months;

Other than these items, no other matter or circumstance has arisen since 30 June 2013 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.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 23 : RELATED PARTY TRANSACTIONS

Related Parties

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: Controlled Entity.

Key management personnel:

For details of disclosures relating to key management personnel, refer to Note 6: Interests of Key Management Personnel (KMP) and the remuneration report in the directors' report.

b. Transactions with related parties

Key management personnel:

Martin Rogers received 18,000,000 options in lieu of a consulting fee. The consulting work was performed prior to his directorship.

There were no other related party transactions during the year ended 30 June 2013.

Subsidiaries:

The transactions with subsidiaries have been eliminated on consolidation of the group.

**CELLMID LIMITED
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 24 : FINANCIAL RISK MANAGEMENT

Specific Financial Risk Exposures and 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 totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Note | Consolidated Group 2013 | 2012 |
|--|-------------|------------------------------------|-------------------------|
| | | \$ | \$ |
| Financial assets | | | |
| Cash and cash equivalents | 9 | 1,754,994 | 1,050,593 |
| Loans and receivables | 10 | 255,695 | 71,168 |
| Available-for-sale financial assets | 12 | - | 42,910 |
| Total financial assets | | <u>2,010,689</u> | <u>1,164,671</u> |
| Financial liabilities | | | |
| Financial liabilities at amortised cost: | | | |
| – trade and other payables | 16 | 501,299 | 258,577 |
| Total financial liabilities | | <u>501,299</u> | <u>258,577</u> |

a. **Credit risk**

Credit risk is managed on a Group basis. The group has no significant concentration of credit risk.

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 table above.

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

Credit risk related to balances with banks and other financial institutions is managed by management in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-.

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;
- only investing surplus cash with major financial institutions

The Group is not exposed to any material liquidity risk.

The table below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a). all non-derivative financial liabilities

(b). net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 24 : FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Liquidity risk (continued)

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.

| <u>Contractual maturities of financial liabilities</u> | <u>Less than 6 months</u> | <u>6-12 months</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> | <u>Total contractual cash flow</u> | <u>Carrying amount liabilities</u> |
|--|---------------------------|--------------------|------------------------------|------------------------------|---------------------|------------------------------------|------------------------------------|
| As at 30 June 2013 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Non-derivative | | | | | | | |
| Trade and other payables | 501,299 | - | - | - | - | - | 501,299 |
| Total | 501,299 | - | - | - | - | - | 501,299 |
| Derivative | | | | | | | |
| Borrowings | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |
| | | | | | | | |
| <u>Contractual maturities of financial liabilities</u> | <u>Less than 6 months</u> | <u>6-12 months</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>Over 5 years</u> | <u>Total contractual cash flow</u> | <u>Carrying amount liabilities</u> |
| As at 30 June 2012 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Non-derivative | | | | | | | |
| Trade and other payables | 258,577 | - | - | - | - | - | 258,577 |
| Total | 258,577 | - | - | - | - | - | 258,577 |
| Derivative | | | | | | | |
| Borrowings | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |

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 AUD functional currency of the Group.

The Group has no significant concentration of foreign exchange risk. The maximum exposure to foreign exchange risk is the fluctuation in the US dollar on its USD denominated bank account and also the Japanese Yen bank accounts.

Price risk

The Group is not exposed to any material price risk.

NOTE 25: SUBSIDIARY AND TRANSACTIONS WITH NON-CONTROLLING INTEREST

a. Significant investments in subsidiary

| | Country of Incorporation | Percentage Owned (%) | |
|------------------------------------|--------------------------|----------------------|------|
| | | 2013 | 2012 |
| Subsidiaries of Cellmid Limited | | | |
| Advangen International Pty Limited | Australia | 95 | 95 |
| Advangen Limited | Australia | 100 | - |
| Advangen Incorporated | Japan | 100 | - |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26: SEGMENT INFORMATION

Identification of reporting segments

The Group's organised into two operating segments: (1) research and development of diagnostics and therapeutics and (2) 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. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

Types of products and services

The principal products and services of each of these operating segments are as follows:

R&D

Diagnostics and therapeutics for cancer and inflammatory conditions

R&D and marketing

Hair growth products

Geographic segment information

The primary geographic segment within which the Group operates is Australia as at 30 June 2013. For primary reporting purposes, the Group operates in two geographic segment as described as at 30 June 2013.

Major customers

During the year ended 30 June 2013 approximately 70% of the Group's external revenue was derived from sales to Frostbland Pty Ltd (32%) and Fujikura Kasei Co Limited (38%) through the biotechnology and retailing operating segments.

Operating segment information

| 30-June-2013 | Biotechnology | Retailing | Retailing | Consolidated |
|--|----------------------|------------------|------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| | Australia | Australia | Japan | |
| Revenue | | | | |
| Sales of products | 215,279 | 311,098 | 15,272 | 541,649 |
| Total sales revenue | <u>215,279</u> | <u>311,098</u> | <u>15,272</u> | <u>541,649</u> |
| Interest received | 30,833 | - | - | 30,833 |
| Royalties | 358 | - | - | 358 |
| Rental revenue | 24,000 | - | - | 24,000 |
| Government grant received | 115,167 | - | - | 115,167 |
| Other revenue | - | 398 | 8 | 406 |
| Total Revenue | <u>385,637</u> | <u>311,496</u> | <u>15,280</u> | <u>712,413</u> |
| Expenses | (2,374,994) | (576,661) | (115,015) | (3,066,671) |
| Share-based compensation | (4,032) | - | - | (4,032) |
| Gain on disposal of financial assets | 48,875 | - | - | 48,875 |
| Depreciation | (13,919) | (156) | (2,561) | (16,635) |
| Finance costs | (1,110) | (14) | - | (1,124) |
| Loss before income tax expenses | <u>(1,959,543)</u> | <u>(265,335)</u> | <u>(102,296)</u> | <u>(2,327,173)</u> |
| Income tax benefit | | | | <u>785,866</u> |
| Loss after income tax benefit | | | | <u>(1,541,307)</u> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26: OPERATING SEGMENTS (CONTINUED)

| 30-Jun-13 | Biotechnology | Retailing | Retailing | Consolidated |
|--|----------------------|------------------|------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| | Australia | Australia | Japan | |
| Assets | | | | |
| Segment assets | 2,545,805 | 369,363 | 3,078,552 | 5,993,720 |
| Unallocated assets: | | | | - |
| Other financial assets | | | | - |
| Total assets | | | | 5,993,720 |
| Liabilities | | | | |
| Segment liabilities | (532,592) | (79,483) | (76,487) | (688,562) |
| Total liabilities | | | | (688,562) |
| | | | | |
| 30-June-2012 | Biotechnology | Retailing | Retailing | Consolidated |
| | \$ | \$ | \$ | \$ |
| | Australia | Australia | Japan | |
| Revenue | | | | |
| Sales of products | 12,590 | 115,704 | - | 128,294 |
| Total sales revenue | 12,590 | 115,704 | - | 128,294 |
| Interest received | 5,370 | - | - | 5,370 |
| Royalties | 704 | - | - | 704 |
| Rental revenue | 24,000 | - | - | 24,000 |
| Government grant received | - | - | - | - |
| Other revenue | 11,077 | 1,828 | - | 12,905 |
| Total Revenue | 53,741 | 117,532 | - | 171,273 |
| Expenses | | | | |
| Share-based compensation | (228,999) | - | - | (228,999) |
| Gain on disposal of financial assets | 49,237 | - | - | 49,237 |
| Depreciation | (11,110) | (309) | - | (11,419) |
| Finance costs | (39,509) | (205) | - | (39,714) |
| Loss before income tax expenses | (2,589,100) | (119,903) | - | (2,709,003) |
| Income tax benefit | | | | 736,520 |
| Loss after income tax benefit | | | | (1,972,483) |
| | | | | |
| Assets | | | | |
| Segment assets | 2,135,203 | 340,149 | - | 2,475,352 |
| Unallocated assets: | | | | - |
| Other financial assets | | | | 42,910 |
| Total assets | | | | 2,518,262 |
| Liabilities | | | | |
| Segment liabilities | (415,667) | (13,111) | - | (428,778) |
| Total liabilities | | | | (428,778) |

**CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 27 : COMMITMENTS

| | Consolidated Group | |
|---|---------------------------|-----------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Lease commitments - operating | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 174,039 | - |
| One to five years | 554,061 | - |
| More than five years | - | - |
| | <u>728,100</u> | <u>-</u> |

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

NOTE 28: BUSINESS COMBINATIONS

On 24 May 2013 Cellmid Limited acquired 100% of the ordinary shares of Advangen Incorporated (Japanese entity) for the total consideration transferred of JPY¥285,171,564. This has been translated to AUD\$2,893,968 using the exchange rate per Reserve Bank of Australia (RBA) on 24 May 2013. The acquired business contributed revenues of \$15,280 and loss after tax of \$102,297 to the Group for the period from 25 May 2013 to 30 June 2013. The values identified in relation to the acquisition of Advangen Incorporated are final as at 30 June 2013.

Details of the acquisition are as follows:

| | Book Value | Fair Value | Exchange | Fair Value |
|--|--------------------------|---------------------------|-----------------|-------------------------|
| | ¥JPY | ¥JPY | Rate | \$AUD |
| Cash and cash equivalents | 41,182,636 | 41,182,636 | 98.54 | 417,928 |
| Trade and other receivables | 19,594,272 | 19,594,272 | 98.54 | 198,846 |
| Inventories | 31,742,886 | 31,742,886 | 98.54 | 322,132 |
| Other assets | 2,850,035 | 2,850,035 | 98.54 | 28,923 |
| Plant and equipment | 848,292 | 848,292 | 98.54 | 8,609 |
| Intangibles assets | - | 198,099,144 | 98.54 | 2,010,342 |
| Trade and other payables | (9,145,701) | (9,145,701) | 98.54 | (92,812) |
| Net assets acquired | <u>87,072,420</u> | <u>285,171,564</u> | | <u>2,893,968</u> |
| Goodwill | - | - | | - |
| Acquisition date fair value of the total consideration transferred | | <u>285,171,564</u> | | <u>2,893,968</u> |
| Representing: | | | | |
| - Cash | | | | 1,221,839 |
| - Fair value of issued shares | | | | <u>1,672,129</u> |
| | | | | <u>2,893,968</u> |
| Cash used to acquire business, net of cash acquired: | | | | |
| Cash to acquire subsidiary | | | | 1,221,839 |
| Less: Cash and cash equivalents on acquisition | | | | <u>417,928</u> |
| Net cash used | | | | <u>803,911</u> |

**CELLMID LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 29 : CONTINGENT LIABILITIES

a. **Contingent liabilities**

The parent entity and Group had no contingent liabilities at 30 June 2012 or at 30 June 2013.

b. **Contingent assets**

The parent entity and Group had no contingent assets at 30 June 2012 or at 30 June 2013.

NOTE 29 : COMPANY DETAILS

The registered office of the company is:

Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

The principal places of business are:

Cellmid Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Advangen International Pty Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Advangen Limited
Suite 1802, Level 18
15 Castlereagh Street
Sydney NSW 2000

Advangen Incorporated
Chiba Industry Advancement Centre
Tokatsu Techno Plaza
5-4-6 Kashiwanoha
Kashiwa
Chiba 277-0082 Japan

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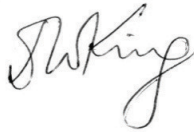
DIRECTORS' DECLARATION

The directors of the company declare that:

- 1 the financial statements and notes, as set out on pages 1 to 36, are in accordance with the *Corporations Act 2001, the Corporations Regulations 2001 and other mandatory professional reporting requirements* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and the group;
 - c. the remuneration disclosures contained in the Remuneration Report comply with section 300A of the Corporations Act 2001;
- 2 the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view; and
- 3 in the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295 (5) of the Corporations Act 2001.

Director:



David King

Dated 28th day of August 2013

INDEPENDENT AUDITOR'S REPORT

To the members of Cellmid Limited

Report on the Financial Report

We have audited the accompanying financial report of Cellmid Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cellmid Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Cellmid Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Cellmid Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', with a stylized flourish at the end.

Arthur Milner
Partner

Sydney, 28 August 2013