
CELLMID LIMITED

ACN 111 304 119

NOTICE OF GENERAL MEETING

TIME: 10 am (Sydney time)

DATE: Friday, 30 September 2011

PLACE: Level 6, 40 King Street, Sydney NSW 2000

THIS NOTICE OF EXTRAORDINARY GENERAL MEETING SHOULD BE READ IN ITS ENTIRETY. IF SHAREHOLDERS ARE IN DOUBT AS TO HOW THEY SHOULD VOTE, THEY SHOULD SEEK ADVICE FROM THEIR PROFESSIONAL ADVISERS.

SHOULD YOU WISH TO DISCUSS THE MATTERS IN THIS NOTICE OF MEETING PLEASE DO NOT HESITATE TO CONTACT THE COMPANY SECRETARY ON (02) 9299 0311.

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Letter from the Chairman

Notice of Extraordinary General Meeting (setting out the proposed resolutions)

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting (General Meeting) of the Shareholders of Cellmid Limited to which this Notice of Meeting relates will be held at Level 6, 40 King Street, Sydney NSW 2000 at 10 am (Sydney time) on Friday, 30 September 2011.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed and return by:

- (a) post to Cellmid Limited, Level 6, 40 King Street, Sydney NSW 2001; or
- (b) facsimile to Cellmid Limited on facsimile number (02) 9299 2198,

so that it is received not later than 10 am (Sydney time) on Wednesday, 28 September 2011.

Proxy forms received later than this time will be invalid.

LETTER FROM THE CHAIRMAN

Dear Shareholder

A general meeting of the Company is to be held at the Company's offices at Level 6, 40 King Street, Sydney NSW 2000 on Friday, 30 September 2011, commencing at 10 am (Sydney time).

I have also enclosed with this Notice of General Meeting your personalised proxy form.

The following pages contain details of the business of the meeting which relates to the convertible note funding agreement with La Jolla Cove Investors Inc, known as the Cellmid Funding Agreement. Approval is sought to the issue of a further convertible note under the Cellmid Funding agreement and to the issue of shares consequent on the conversion of that note should the note issue be approved by shareholders.

Subject to any required voting exclusions, you are encouraged to vote at the meeting either in person or by proxy. I look forward to seeing you at the Meeting. If you are unable to attend, please ensure that you fill out and return your proxy form so that it is received not later than 10 am (Sydney time) on Wednesday, 28 September 2011.

Yours sincerely,



David King
Chairman

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Cellmid Limited (**Company**) will be held at the Company's office at Level 6, 40 King Street Sydney at 10am (Sydney time) on Friday, 30 September 2011.

The Explanatory Statement included with this Notice of Meeting provides additional information on matters to be considered at the meeting and forms part of this Notice of Meeting.

The Directors have determined under regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered shareholders of the Company on Wednesday, 28 September 2011 at 7pm (Sydney time).

Agenda (Special Business)

RESOLUTION – APPROVAL OF ISSUE OF CONVERTIBLE NOTE, & SHARES ON CONVERSION OF THE NOTE, UNDER THE CELLMID FUNDING AGREEMENT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purpose of ASX Listing Rules 7.1 and all other purposes, the issue of:

- (a) a Convertible Note; and
- (b) ordinary shares on conversion of the whole or part of that Convertible Note,

under the Cellmid Funding Agreement as set out in the Explanatory Statement included with this Notice of Meeting, be and is approved.”

VOTING EXCLUSION STATEMENT

RESOLUTION - APPROVAL OF ISSUE OF CONVERTIBLE NOTE, & SHARES ON CONVERSION OF THE NOTE, UNDER THE CELLMID FUNDING AGREEMENT

The Company will disregard any votes cast on the Resolution by:

- (a) La Jolla Cove Investors, Inc. or any other person who may participate in the proposed issue or by any person who might obtain a benefit, except a benefit solely in the capacity of an ordinary shareholder, if the resolution is passed; and
- (b) an associate of any such persons.

However, the Company need not disregard a vote on the Resolution if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED: Wednesday, 31 August 2011

BY ORDER OF THE BOARD


David King
CHAIRMAN

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at the Company's office, Level 6, 40 King Street Sydney on Friday, 30 September 2011 at 10 am (Sydney time).

The purpose of this Explanatory Statement is to provide information that the Directors believe to be material for the purpose of Shareholders considering whether or not to pass the Resolution in the Notice of Meeting.

RESOLUTION – APPROVAL OF ISSUE OF CONVERTIBLE NOTE, & SHARES ON CONVERSION OF THE NOTE, UNDER THE CELLMID FUNDING AGREEMENT

Cellmid Funding Agreement

The Company entered into a funding agreement (**Cellmid Funding Agreement** or **Facility**) with a US based private investment company, La Jolla Cove Investors, Inc. (**Investor**) for up to US\$8 million in funding over 3 years by issue of up to eight Convertible Notes (**Convertible Notes** or **Notes**) with a face value of US\$1 million each.

Note Issue and Conversion

Under the Cellmid Funding Agreement:

- (a) drawdown in relation to each Note is US\$200,000 payable on issue of the Note and then US\$200,000 per month until fully drawn, subject to compliance with the ASX Listing Rules;
- (b) each Note is repayable five (5) years after issue and carries interest at 4.75% pa on unconverted drawdown amounts payable monthly in arrears;
- (c) the conversion price is the lesser of:
 - (i) the price calculated as a 20% discount to the three lowest daily volume weighted average sale prices of the Company's shares during the 21 trading days before the conversion date; or
 - (ii) AU\$0.09 (for Notes issued in the first 12 months) or AU\$0.15 (for Notes issued afterwards);
- (d) Note conversions are at the Investor's option, except:
 - (i) during the last three months of the five year term of each Note when Cellmid may force conversion of any unconverted portion of the Note; and
 - (ii) if on the conversion date the Company's shares trade below a floor price of AU\$0.025 (subject to limited adjustment for changes in capital and dilutive issues but in any event not less than AU\$0.015), the Company may elect to repay the face

value of the Note plus a 5% premium together with any unpaid interest¹; and

- (e) the investor's holding as a result of conversion of Notes is capped at 9.99% of the issued shares of the Company and its overall holding is capped at 20%.

Subsequent Notes will only issue once the previous Notes are either repaid or outstanding to the extent of not more than US\$250,000, so the principal amount of Notes outstanding at any time cannot exceed US\$1,250,000. Drawings in excess of that will have been converted to equity.

First Note and Proposed Second Note

At the General Meeting of the Company in 2010, shareholders approved the issue of Notes and conversion of those Notes. In accordance with the Listing Rules, Notes could be issued for 3 months following shareholder approval. Any notes not issued within that 3 months could only be issued if the Company has sufficient capacity under Listing Rule 7.1.4(c) or otherwise was to be subject to further shareholder approval in a subsequent general meeting of the Company.

After the General Meeting the Company issued two Notes for US\$1 million each and over a period of 10 months received proceeds of US\$2 million. Since then and to 30 August 2011, a total of US\$1,202,015 of face value of the Notes has been converted at price(s) of AU\$0.0268, AU\$0.019, AU\$0.020, AU\$0.0246 and AU\$0.0155, resulting in the issue of 57,836,166 shares to the Investor. Therefore, at that 30 August 2011, the outstanding principal amount under the Note is US\$797,985.

Under the Cellmid Funding Agreement, the Investor may require the issue of a further Note with a face value of \$1,000,000 (see further below regarding the manner of payment for the Note) provided, in effect, the Company has capacity under Listing Rule 7.1 to issue the Note or, if there is insufficient capacity, shareholders approve the issue and conversion of the Note under that Listing Rule. As at 31 August 2011, there is insufficient capacity to issue the full face value of the Note. Therefore, shareholder approval is sought for the issue of the Note.

Application of Listing Rules

Australian Securities Exchange (ASX) Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of shares or securities convertible into shares (such as a convertible note), representing more than 15% of the issued capital of the Company in any 12 month period.

There is provision for shareholders to give approval of an issue if there is no capacity or insufficient capacity (Listing Rules 7.1, 7.3 and 7.4). Any such approvals effectively preserve or refresh the company's capacity to issue further securities without shareholder approval under the 15% rule to the extent of the approval.

As described above, the Company is seeking approval to the issue of a third Note under the Cellmid Funding Agreement. It is intended the Note be issued within 3 months of the date of the meeting at which Resolution 1 is passed. In

¹ Note: even if the shares trade above the floor price (ie AU\$0.025 unless adjusted as noted) on the conversion date, the actual conversion price for the issue of ordinary shares may be less than the floor price

accordance with the Cellmid Funding Agreement, the Note will have a face value of US\$1 million and on issue will be drawn down to the extent of US\$200,000. As it is not yet known whether the Note will be issued within or after the first 12 months of the term of the agreement, it is not known whether the nominal base conversion price will be the AU\$0.09 or AU\$0.15 referred to above.

Listing Rule Information

- (a) The maximum number of ordinary shares (shares) to be issued is a function of the conversion price (effectively the issue price) of shares at the time of conversion of the Note, using the formulation summarised in paragraph (c) above under the heading 'Note Issue & Conversion' – for illustration purposes, the maximum number of shares that may be issued in respect of a Note is as follows (assuming the Note is converted in full and 1US\$=1.04AU\$):
- (i) 64,102,564 shares at a conversion price of AU\$0.015, being a price for the purpose of calculation under Listing Rule 7.1.4(c);
 - (ii) 45,787,545 shares at a conversion price of AU\$0.021, being the closing price of the Company's shares on ASX on 26 August 2011;
 - (iii) 38,461,538 shares at a conversion price of AU\$0.025, being the current floor price;
 - (iv) 10,683,760 shares at a conversion price of AU\$0.09, being the maximum conversion price, noting this price is only applicable in the first 12 months of the Facility and may understate the number that may be issued; and
 - (v) 6,410,256 shares at a conversion price of AU\$0.15, being the maximum conversion price, noting this price is only applicable after the first 12 months of the Facility and may also understate the number that may be issued.

The actual number of shares to be issued cannot be determined now. It may be different to the illustrated numbers. The actual number will vary depending on the US\$:AU\$ exchange rate at the time of conversion and, effectively, the trading price of the Company's shares during the period leading up to and on the date of conversion.

- (b) The date by which the Note and shares issued on conversion of the Note will be issued – as noted above, the Note will be issued within 3 months of the date of the meeting at which Resolution 1 is passed.
- (c) The issue price of the Note and shares issued on conversion of the Note – as noted above, the issue price of the Note is US\$1 million payable by instalments. The issue price of shares to be issued on conversion of Note is to be determined using the formulation summarised in paragraph (c) above under the heading 'Note Issue & Conversion', the operation of which is illustrated in paragraph (a) above under the heading 'Listing Rule Information'.
- (d) The name of the allottee of the Note and shares issued on conversion of the Note – the Note, and shares issued on conversion of Note, will be issued to the Investor.

- (e) The terms of the Note and shares issued on conversion of the Note – the terms of the Note and the manner in which it may be converted into shares is summarised above under the headings 'Cellmid Funding Agreement' and 'Note Issue & Conversion'. Shares issued on conversion will rank equally in all respects with the existing shares then on issue.
- (f) The intended use of funds raised – the Facility will provide working capital.
- (g) The allotment date - the Note will be issued within 3 months of the date of the meeting at which Resolution 1 is passed. Allotment of shares will take place progressively during the 5 year term of the Note if the Investor is entitled to and elects to convert the Note.
- (h) Voting Exclusion Statement - shareholders should refer to the voting exclusion statement in the Notice of Meeting relating to the Resolution.

Recommendation

The Directors recommend that Shareholders vote in favour of the Resolution.

Cellmid Limited

ACN 111 304 119

FOR ALL ENQUIRIES CALL

+61 2 9299 0311

FACSIMILE

+61 2 9299 2198

ALL CORRESPONDENCE TO

Cellmid Limited, Level 6 40 King Street

Sydney NSW 2000 Australia

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10 am (Sydney time) on Wednesday, 28th September 2011

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the security holders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **10am (Sydney time) on Wednesday, 28 September 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged:

BY MAIL - Cellmid Limited, Level 6, 40 King Street, Sydney NSW 2000

BY FAX - + 61 2 9299 2198

IN PERSON - Cellmid Limited, Level 6, 40 King Street, Sydney NSW 2000

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Cellmid Limited

ACN 111 304 119

STEP 1 - Appointment of Proxy

I/We being a member/s of **Cellmid Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Extraordinary General Meeting of Cellmid Limited to be held at Level 6, 40 King Street, Sydney, NSW 2000 at 10am(Sydney time) on Friday, 30 September 2011** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a resolution, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called. The Chair intends to vote all undirected proxies in favour of the resolution.

STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

Ordinary Business

		For	Against	Abstain*
Resolution	Approval of Issue of Convertible Note, and Shares on Conversion of the Note, under the Cellmid Funding Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name Contact Daytime Telephone Date / / 2011