
CELLMID LIMITED

ACN 111 304 119

NOTICE OF ANNUAL GENERAL MEETING

TIME: 3.30 pm (NST)

DATE: Wednesday 3 November 2010

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

THIS NOTICE OF ANNUAL 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 General Meeting (setting out the proposed resolutions)

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual 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 3.30pm NST on Wednesday, 3 November 2010.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, attend the Annual 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 2000
- (b) facsimile to Cellmid Limited on facsimile number (02) 9299 2198

so that it is received not later than 3.30pm NST on Monday, 1 November 2010.

Proxy forms received later than this time will be invalid.

LETTER FROM THE CHAIRMAN

Dear Shareholder

I am pleased to invite you to the Annual General Meeting of the Company. The Meeting will be held at the company's offices at Level 6, 40 King Street, Sydney NSW 2000 on Wednesday, 3 November 2010, commencing at 3.30pm (NST).

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

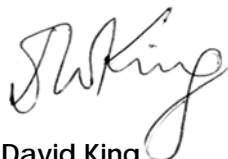
If you have elected to receive a hard copy of the Company's Annual Report, a copy of that Report is enclosed with this letter. A copy of the Company's Annual Report is also now available on the Company's website (www.cellmid.com.au).

The following pages contain details of the four items of business that you have the opportunity to vote on at the Meeting.

The Directors believe, subject to any required voting exclusions and my abstention from making a recommendation on Resolution 4 (in which I have an interest), that all the Resolutions are in the best interests of the Company and its Shareholders and encourage you to vote in favour of all of them.

I look forward to seeing you at the Meeting on Wednesday, 3 November 2010. If you are unable to attend please ensure that you fill out and return your proxy form, which is enclosed with this Notice.

Yours sincerely,



David King
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of Cellmid Limited (**Company**) will be held at the Company's office at Level 6, 40 King Street Sydney at 3.30pm NST on Wednesday, 3 November 2010.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered shareholders of the Company on Monday, 1 November at 3.30pm (NST).

AGENDA

ORDINARY BUSINESS

FINANCIAL STATEMENTS AND REPORTS

To consider the financial statements of the Company for the financial year ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

“That the Remuneration Report as contained in the Directors' Report of the Company for the financial year ended 30 June 2010 be adopted.”

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DAVID KING

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

“That Dr David King, who retires in accordance with Article 13.2 of the Constitution and being eligible, offers himself for re-election, be re-elected a Director.”

SPECIAL BUSINESS

RESOLUTION 3 – APPROVAL OF ISSUES OF CONVERTIBLE NOTES & SHARES ON CONVERSION OF NOTES - 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) Convertible Notes; and

(b) ordinary shares on conversion of the whole or part of such Convertible Notes,

under the Cellmid Funding Agreement as set out in the Notice of Meeting, be and is approved.”

RESOLUTION 4 – APPROVAL OF ISSUE OF SHARES TO SATISFY DIRECTOR’S FEES

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

“That, for the purpose of ASX Listing Rule 10.11 and all other purposes, the issue of 3,466,669 fully paid ordinary shares in the capital of the Company to Dr David King (a director of the Company) in satisfaction of directors fees of \$86,666.72 due and payable to him, be and is approved.”

VOTING EXCLUSION STATEMENTS

RESOLUTION 3 (APPROVAL OF ISSUES OF CONVERTIBLE NOTES & SHARES ON CONVERSION OF NOTES - CELLMID FUNDING AGREEMENT) AND RESOLUTION 4 (APPROVAL OF ISSUE OF SHARES TO SATISFY DIRECTORS FEES)

The Company will disregard any votes cast on Resolution 3 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.

The Company will disregard any votes cast on Resolution 4 by:

- (c) Dr David King; and
- (d) an associate of Dr David King.

However, the Company need not disregard a vote on Resolutions 3 or 4 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: Friday 1 October 2010**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 Annual General Meeting to be held at the Company's office, Level 6, 40 King Street Sydney on Wednesday 3 November 2010 at 3.30 pm (NST).

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

FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

RESOLUTION 1 – REMUNERATION REPORT

The remuneration report is set out in the Directors' Report on pages 13 to 19 of the Company's 2010 Annual Report.

The Corporations Act requires that at a listed Company's Annual General Meeting a resolution that the remuneration report be adopted must be put to shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' Report for the financial year ending 30 June 2010. The 2010 Annual Report of the Company (containing the remuneration report) is also available on the Company's website at www.cellmid.com.au. A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DAVID KING

Article 13.2 of the Company's Constitution requires one-third of Directors to retire from office at the Company's annual general meeting. The retiring Director, Dr David King, is eligible for re-election and accordingly submits himself for re-election as a Director of the Company.

RESOLUTION 3 – APPROVAL OF ISSUES OF CONVERTIBLE NOTES & SHARES ON CONVERSION OF NOTES - CELLMID FUNDING AGREEMENT

Cellmid Funding Agreement

As announced on 15 September 2010, the Company has 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.

Funds will be used for product development including the therapeutic programs for autoimmune diseases, cancer, heart attack and alopecia as well as for advancing the midkine diagnostic portfolio.

Note Issue and Conversion

As also announced:

- (a) drawdown in relation to each Note will be 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%.

The facility is expected to be a stable source of funding, initially in the form of debt. 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.

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

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 issues if there is no capacity or insufficient capacity (Listing Rule 7.3). 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 advance/ subsequent approval.

It is intended that no Note will be issued before approval is received at the Annual General Meeting of the shareholders.

The Cellmid Funding Agreement explicitly excludes issuing of Notes and their conversion into shares unless this can be done in compliance with ASX Listing Rules, specifically Listing Rule 7.1.

Listing Rule Information

(a) The maximum number of Notes that may be issued is eight (8). 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 Notes, 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 at any particular price and assuming all 8 Notes are issued and assuming the Notes are converted in full and 1US\$=0.8AU\$:

- (i) 400 million shares assuming a conversion price for Cellmid shares of A\$0.025 for the life of the Facility; and
- (ii) 111 million shares assuming a conversion price of A\$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
- (iii) 667 million shares at a conversion price of A\$0.015 being the minimum conversion price for the life of the Facility, noting this price is only applicable in the second 12 months of the Facility and may overstate 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.

The issue price of shares to be issued on conversion of Notes 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'.

(b) The Notes will be issued within 3 months of the date of the meeting at which Resolution 3 is passed. Any Notes that are not issued within the three months will only be issued if the Company has sufficient capacity under Listing Rule 7.1 in accordance with Listing Rule 7.1.4 (c) or otherwise will be subject to

further shareholders' approval in a subsequent general meeting of the shareholders.

- (c) The names of the allottees of the Notes and shares issued on conversion of the Note – the Notes and shares issued on conversion of Notes will be issued to the Investor.
- (d) The terms of the Notes and shares – the terms of the Notes 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.
- (e) The intended use of funds raised – the Facility will provide a stable source of capital to assist in funding product development as described above under the heading 'Cellmid Funding Agreement'.
- (f) Voting Exclusion Statement - shareholders should refer to the voting exclusion statement in the Notice of Meeting relating to Resolution 3.

Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 3 in order to preserve the Company's capacity to take advantage of market conditions to make placements of shares at favourable prices for funding purpose and to give the Company the flexibility to issue or place shares for other purposes from time to time as the Board may consider appropriate.

The Directors intend to vote their shares in favour of Resolution 3.

RESOLUTION 4 – APPROVAL OF ISSUE OF SHARES TO SATISFY DIRECTOR'S FEES

Proposal

At the date of the Notice of Annual General Meeting, Dr David King, a Director and the Company's Chairman, is owed \$86,666.72 in directors fees.

Rather than being paid the amount due in cash, Dr King has indicated that he is willing to accept shares. The Company therefore proposes to issue 3,466,669 fully paid ordinary shares to Dr King in satisfaction of those director's fees. This assists in preserving cash for other product development, research and other working capital purposes.

The shares represent 1.06% of the total issued capital of the Company after the shares are issued. This will increase Dr King's relevant interest in the Company from the existing 3.07% to 4.13%.

ASX Listing Rule 10.11 requires that an issue or agreement to issue securities to a related party (which includes a director) requires approval of ordinary shareholders unless an exemption applies. As no exemption applies, shareholder approval is sought.

If shareholder approval is given to Resolution 4, approval is not required under Listing Rule 7.1 (limiting issues of shares without ordinary shareholder approval to 15% of the Company's capital unless an exemption applies). Therefore, approval will mean the issue of the shares to Dr King will not use up any of the Company's capacity to issue shares without shareholder approval under the 15% rule. As noted in respect of Resolution 3, this enables the Company to retain capacity to

take advantage of market conditions to make placements of shares at favourable prices for funding purposes and to give the Company the flexibility to issue or place shares for other purposes from time to time as the Board may consider appropriate.

Listing Rule Information

- (a) The name of the person to whom the shares will be issued - Dr David King, a Director and the Company's Chairman.
- (b) The number of shares to be issued is 3,466,669.
- (c) The date by which the shares will be issued - within one month after the date of the meeting at which Resolution 4 is approved.
- (d) The issue price and other terms of issue of the shares - effectively \$0.025 per share. The shares will otherwise have the same rights as, and from the date of issue will rank equally with, all other ordinary shares on issue.
- (e) Voting Exclusion Statement - shareholders should refer to the voting exclusion statement in the Notice of Meeting relating to Resolution 4.
- (f) The intended use of the funds raised – as the shares are being issued in satisfaction of directors fees otherwise payable by the Company in cash, no funds are raised by the Company as a result of the share issue. As explained above, the issue of the shares preserves cash that would otherwise have been paid out so that it can be used for other purposes including other product development, research and other working capital purposes (as determined by the Board when appropriate).

Recommendation

The Directors (Dr King abstaining) recommend that Shareholders vote in favour of Resolution 4 in order to preserve the Company's cash and its capacity to take advantage of market conditions by making placement for funding purposes and to give the Company the flexibility to issue or place shares for other purposes from time to time as the Board may consider appropriate.

The Directors intend to vote their shares in favour of Resolution 4.

Name and Address

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 3.30pm MONDAY 1st NOVEMBER 2010

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 securityholders 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 **3.30pm on Wednesday, 3rd November 2010**. 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.

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 **Annual General Meeting of Cellmid Limited to be held at Level 6, 40 King Street, Sydney, NSW 2000 on Wednesday, 3rd November 2010 at 3.30pm** 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 1	To adopt the Remuneration Report for year ended 30 June 2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To re-elect Dr David King as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Issues of Convertible Notes & Shares on Conversion of Notes – Cellmid Funding Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Issue of Shares to satisfy Directors' Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above. The Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

*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 style="width: 240px; height: 40px;" type="text"/>	<input style="width: 240px; height: 40px;" type="text"/>	<input style="width: 240px; height: 40px;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name

Contact Daytime Telephone Date / / 2010