CELLMID

Newsletter - 29 January 2013

Message from the CEO

Dear Shareholder,

Cellmid has a diverse range of products at various stages of development and our shareholders are rightly wondering what will be the focus for the Company in 2013. In short, we will continue to build the business and add value on all fronts, including our Advangen business as well as our midkine product development portfolio.

With the excitement of the évolis® hair growth products in 2012 many assumed that we've lost focus on the strong pipeline represented by the midkine diagnostic and therapeutic products. In fact the opposite happened; we have been actively working on several fronts, including new cancer diagnostic collaborations and pre-clinical validation of our antibody program.

The recently released results from our diabetic nephropathy study mean that this work is now beginning to pay off. In a severe, Adriamycin induced nephropathy model in mice we have been able to show significant reduction in kidney damage using two of our antibodies. The study showed, for the first time, that an anti-MK antibody may provide protection against kidney damage.

Importantly, the study data is relevant to other forms of nephropathy and we are currently assessing the product development options for this indication in the context of our ongoing studies. Our expectations for 2013 are that by the end of this year we should be in the position to decide the first disease indication going into the clinic for our antibody program.

On the basis of the publicly available information, we expect that our licensing partner, Pacific Edge, is on track to launch their bladder cancer diagnostic test with MK as a biomarker. Less information is available from Quest, however in their recent webcast they suggested that they expect growth from new products, although no mention was made specifically of the lung cancer test.

Collection of blood samples of healthy volunteers continued in Kumamoto University's Diagnostic Café, and we are in the process of analysing more than 500 samples in an ongoing program with Professor Yukio Ando's team. This data is critical for our regulatory strategy. Several other diagnostic studies commenced in 2012 and will continue to be initiated in 2013. We will advise the market on any material findings in relation to these programs.

We expect to continue building momentum behind our hair growth product sales locally and overseas. Our recently appointed VP - Business Development, Emma Chen, will be working on the pharmacy and the hair and beauty salon markets in Australia. Her first job is to train the existing pharmacy outlets and educate the sales teams on the products. Concurrently, she will be running the marketing and branding strategy.

Internationally, we expect to expand into at least one significant market outside of Australia during the second half of calendar 2013. We have ongoing discussions with potential distribution partners in Europe, USA, India and South America. Discussions include terms, local manufacturing and marketing contributions and are expected to take at least 8-10 months.

We are looking forward to continued growth in calendar 2013 with expectations of significantly increasing shareholder value during the period.

Thank you for your support!

Maria Halasz, CEO

In this issue:

Midkine and kidney disease

Midkine's role in kidney disease has been well noted by the scientific community, in the last decade 12 peer-reviewed publications on the connection have been published worldwide. Although these studies investigate a variety of kidney injuries and disease models, they all reach a similar conclusion, that MK is a key driver of renal inflammation and damage. Based on these studies, Cellmid has recently investigated whether its MK antibodies might be effective in controlling kidney damage.

In the Company's first anti-MK antibody study in diabetic nephropathy two antibodies have been tested in a mouse model of the disease where kidney damage reminiscent of diabetic nephropathy is induced by Adriamycin (AN). The studies were conducted within the University of Sydney and Westmead Hospital's Millenium Institute.

Both anti-MK antibodies reduced kidney damage significantly. Figure 1 shows how anti-MK antibodies significantly reduced glomerular sclerosis (=hardening of the glomeruli, which are the kidney structures that filter the blood). By reducing the damage caused to the kidney, kidney function was also preserved in antibody-treated animals. Figure 2 shows that anti-MK antibodies decreased the leakage of protein into the urine- and less protein accumulated in the kidney tissue (Figure 3). Finally this maintained kidney function was reflected in the overall health of the treated animals- MK antibodies reduced mortality and restored healthy weight gain (Figure 4).

Renal histological assessment showed that glomerular sclerosis was reduced from 48% in untreated animals to below 20% in both antibody treated groups ($p<0.01$). Interstitial volume was also significantly reduced, from 35% in untreated animals, that is the hardening 12% in both antibody groups ($p<0.01$) antibody treatment also maintained tubular cell height; untreated animals had mean cell heights below 2µm, compared to 4µm for treated animals ($p<0.05$).

Kidney function was also preserved, with treated animals showing reduced protein leakage into the urine compared to untreated controls. Protein casts in the kidney, indicating damage, were also significantly reduced in antibody treated animals (Figure 3). In addition, the antibody-treated animals showed healthy weight gain and reduced mortality compared to untreated controls; only 6.3% of antibody-treated animals died before the end of the study, compared to 25% of the untreated animals (Figure 4).

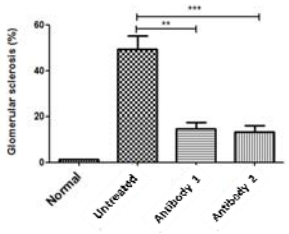


Figure1. Anti-MK antibodies reduce kidney damage in mice with AN-induced nephropathy. Both antibodies significantly decreased the hardening (sclerosis) of the glomeruli caused by

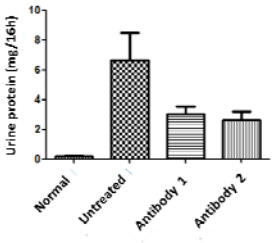


Figure 2. Anti-MK antibodies improve kidney function in mice with AN-induced nephropathy. Both antibodies decreased the leakage of protein into the urine.

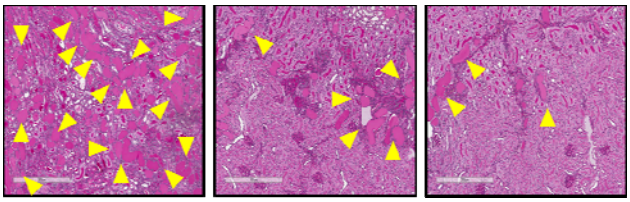


Figure 3. Anti-MK antibodies reduce protein cast deposits in the kidneys of mice with AN-induced nephropathy. Photographs show representative histological sections from treated and untreated mice. Protein casts are bright pink; yellow arrows indicate large protein cast deposits.

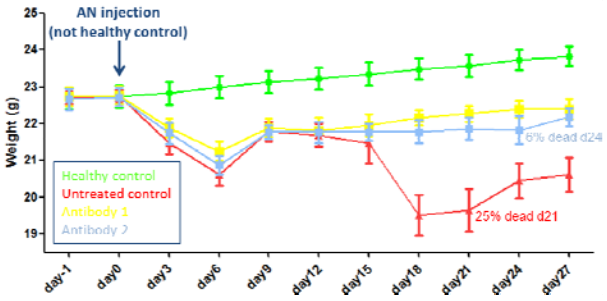


Figure 4. Anti-MK antibodies improve survival and health in mice with AN-induced nephropathy. Both antibodies decreased mortality and restored healthy weight gain in treated animals.

Diabetic nephropathy

Diabetic nephropathy (from the Greek, nephro – kidney, pathos – disease) is the kidney disease that results from the long term effects of diabetes. Diabetic nephropathy (DN) affects approximately 30-40% of all type 1 and type 2 diabetes patients. It occurs as a result of damage to the fine blood vessels in the kidney, which in turn is caused by high levels of blood glucose and fat and high blood pressure. Over time, kidney function is lost; protein 'leaks' into the urine, and the kidneys fail to properly filter the blood. Eventually, patients with uncontrolled diabetic nephropathy will progress to end stage renal disease (ESRD)- a serious and irreversible condition which can only be treated with either dialysis or a kidney transplant. Currently the treatment for DN consists of strictly controlling blood glucose and blood pressure with insulin and hypertension medications. There is no targeted drug specifically for DN and no cure; treatment merely aims to stabilise the damage that has already occurred. Cellmid's results suggest that an anti-MK antibody treatment may be useful in halting or slowing down kidney damage, reducing the associated suffering and costs of ESRD.

Analyst Interview - Anton Uvarov, RM Research

Anton Uvarov, Senior Analyst from RM Research has recently released his report on Cellmid (http://www.cellmid.com.au/content_common/pg-analyst-coverage.seo). Anton arrived in Australia from the USA twelve months ago and brings an international perspective when assessing the potential of Australian companies in the biotechnology / life sciences sector. We asked Anton to tell us a bit about himself and share some of his views on Cellmid and the sector generally.

Q: What did you do before coming to Australia? Why Perth?

Prior to joining RM Research, part of the RM Capital Group, I was a member of the Biotechnology Equity Research team at Citigroup, based in New York.

Q: What areas did you cover in your previous positions?

Our team was focused on covering small- and mid-cap biotechnology stocks with particular focus on companies developing products for oncology, cardiovascular and orphan diseases. Some of the examples include Alexion Pharmaceuticals, BioMarin Pharmaceuticals, Medivation, Dendreon, Myriad Genetics, The Medicines Company.

Q: What was your first impression of the Australian biotech/ medical technology scene?

My natural interest has always been small cap companies, be it in US or Australia. Unfortunately in Australia, most of the small-cap companies stay under investors' radar and thus remain significantly undervalued. That creates a challenge for investors who can miss out on opportunities to make above average returns. It is also difficult for companies when it comes to raising capital as well as finding patients who miss out on getting access to better therapies. However we are starting to see more inquiry into the Biotechnology / Life Sciences sector including increased interest in small-caps. In my view, key factors driving this interest are attractive valuations, maturing of the companies, improved regulatory pathway, demographic drivers and rotation of risk capital in the markets towards healthcare.

Q: You've done a very thorough analysis on Cellmid's diagnostic products that are licensed out to Pacific Edge and Quest. Has your view changed on this since your report in October 2012?

Absolutely NO. I expect royalty revenues in second half of 2013 and believe this will transform the company. And I would not be surprised to see more of out-licensing deals from Cellmid, particularly in the diagnostics space, where midkine is a stand-out candidate. It is a rare opportunity to have something like midkine in your hands and I think the company is progressing this very well.

Q: You haven't assigned any value to the company's therapeutic assets. Have you changed your view on this or do you intend to look at this component of Cellmid's business in the future?

As an investor, I'm very conservative and I tend to be the same as a sell-side analyst. I believe there is great potential for midkine in the therapeutic space, but need to see more specific details on that program in order to properly assess the size of the market and the commercial opportunity. Once I see strong "proof-of-concept" data in human trials, I would revisit that part of the Cellmid's story. So far preclinical data in diabetic nephropathy and acute myocardial infarction look very promising.

Q: Cellmid has not provided any earnings guidance on évolis® yet. What is your view on that and when do you think it would be reasonable to expect projections from this business?

As you know, I have already published my projections for the hair loss business and its contribution to my price target for the company. While there have been some positive signs from the Advangen business with exceeding distribution targets, I believe Cellmid would need to see some sales numbers in order to make any public projections. I expect that we get more visibility on hair loss business in the second half of this calendar year

Q: Can you comment on Cellmid's recent share price movements?

On a general side, the stock has been undervalued throughout most of 2012 mostly due to macroeconomic headwinds and low investment sentiment towards early stage companies.

With major issues starting to be resolved (at least partially), investor confidence is returning with positive share price movements in quality stories, particularly in the biotech sector.

Specifically for Cellmid, I think the management did an amazing job showcasing Cellmid's potential by attending major investor conferences domestically and internationally at the end of 2012 and early 2013 (i.e. AusBiotech Investment Summit in Melbourne and JPMorgan Healthcare Conference in San Francisco).

We are starting to see some of that increased awareness translating into higher trading volumes and share price appreciation for investors and shareholders.

As Cellmid's management team continue to progress the business I believe it could be just the beginning.

Update on Cellmid's patent portfolio

Cellmid has outstanding intellectual property assets underpinning the Company's product development opportunities. Cellmid's IP portfolio includes 78 patents in 20 patent families. The patents protect just about every aspect of MK biology, including:

- The use of anti-MK agents as therapies in a number of common diseases, including cancer, autoimmune conditions and inflammatory diseases
- 'Composition of matter' patents which protect the sequences of MK inhibitors, including antibodies and short interfering RNAs (siRNAs)
- The use of the MK protein itself to treat many significant diseases, such as heart failure, stroke and cardiovascular damage
- Detecting and/or measuring MK to diagnose cancer and other disorders.

Cellmid's patent portfolio has also gained strength from the recent granting of a number of key patents. The Company now has 52 of its 78 patents granted. When patents are filed they are known as 'applications', because patents must pass examination by the various patent offices. Until a patent has passed this examination, it is merely 'pending'.

Examination is rigorous and getting a patent application granted is far from certain. Furthermore, the examination process is slow, at least 2-3 years but it is more likely for the process to take 5-8 years.

Therefore the granting of a patent is a significant event, because the rights claimed have finally been officially conferred to the owner, and the uncertainly of what a patent covers is resolved.

In the past 15 months, Cellmid has had some of its important patents granted in major jurisdictions as follows:

- **European patent for preventing and treating vascular occlusive disease with MK inhibitors**
- **US patent for treating ischemia by stimulating nitric oxide synthesis using MK**
- **US patent for treating autoimmune disorders using MK antibodies to boost T-reg cells**
- **US patent to prevent surgical adhesions using MK antibodies**
- **US patent to treat ischemic diseases (including heart attack and stroke) using MK**

Dr Jenny Petering - Partner, F B Rice

Dr Mark Olive - Partner, FB Rice

In that time a number of other patents have also been granted in smaller jurisdictions including Canada, Japan and Australia.

Integral to Cellmid's successful patent prosecution and intellectual property strategy is FB Rice, Australia's pre-eminent independent patent law firm.

Cellmid works with two senior partners at FB Rice; Dr Jenny Petering and Dr Mark Olive. Jenny and Mark have been critical to Cellmid's patent prosecution successes, and they continue to work with the company drafting new patents and guiding strategy.

Important new patents recently filed by Cellmid include a patent family for treating hair loss and restoring hair growth using MK, plus a family covering novel MK antibodies for treating inflammation, autoimmunity and adhesion. Both families contain patents across all major jurisdictions and markets, including the USA, Europe, China and Japan.

Gold standard in MK measurement - MK ELISA

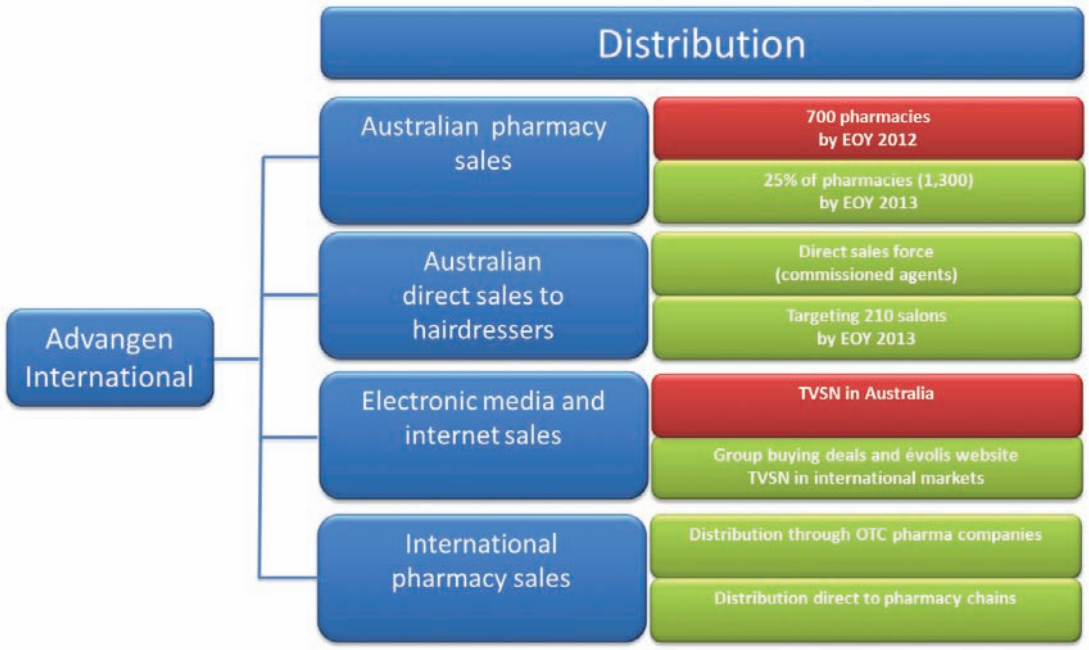
When Cellmid first CE marked this MK-ELISA it was done so it could become a platform for an in-house diagnostic development program. Since then, researchers and collaboration partners around the world have been using it in the USA, France, Japan, Israel, UK, Hungary and Turkey, just to name a few.

It is evident that during the past two years our MK-ELISA has become the gold standard in MK measurement validating our original product development strategy, and producing a small revenue that offsets development costs.

Advangen distribution update

Signing up around 700 pharmacies within four months has been a great result for our évolis® launch. Now that we have Emma, our VP - Business Development, on board she will continue to work with these pharmacy chains to ensure that their staff are properly trained and ready to sell the product.

At this stage approximately 400 of the 700 pharmacies have made their initial orders and the remaining chains are expected to start stocking the products as their internal hair product review date comes up. We expect to continue to open new doors from around mid-2013, once the existing network is fully up and running.



In addition to expanding the pharmacy distribution network we will roll out the product in hair and beauty salons in 2013. We expect this to be done by a small, but dedicated internal team of product representatives and by taking advantage of the distribution network of salon suppliers. This market is not as well defined as the over-the-counter (OTC) pharmacy market, but potentially highly lucrative.

We are regularly approached from overseas groups with interest in distributing the évolis products in our various exclusive territories. Advancing these discussions to supply/distribution agreements is expected to take approximately 8-10 months from now. Naturally, timing of these arrangements are difficult to predict as they do depend on third parties to some extent.

Questions from analysts and brokers are often centred on revenue projections. We are naturally keen to determine sales levels, stock replenishment rates and salon uptake of our products. However, it is not realistic to provide these projections before we have at least 12 months sales record given the unique position of the products within the hair growth market.

Finally, we expect to launch two new products in the first half of calendar 2013; évolis® shampoo for men and évolis® shampoo for women. On the basis of our test marketing we expect that these products will be strong sellers and will have a marked impact on our overall revenues.

Emma Chen - VP Business Development

Emma Chen - VP Business Development

With more than 12 years' experience in the hair growth industry Emma Chen has recently been appointed as VP-Business Development by Advangen International Pty Ltd to broaden the Australian distribution network and increase sales for our évolis® and Advangen products in pharmacies and in the hair salon/beauty market.

Q: Tell us about your professional back ground

I was Chief Executive Officer at Ashley & Martin from 1998 until 2008. My initial mandate was to take the company from receivership to profitability.

As CEO my role was to position the company as an industry leader and to provide direction and leadership to various stakeholders.

During my tenure I developed the company's business and marketing strategy with objectives of sustained profitability and growth. Like with any new business it was important that we achieved these objectives efficiently and cost-effectively, while maintaining the highest service quality. Eventually we have built Ashley & Martin into one the most recognised and trusted brands in the hair growth industry and established a highly profitable, premium medical clinic network in the process.

Prior to this, as a shareholder of South Pacific Pharmaceuticals, I was involved in launching the first generic minoxidil brand, Hair A-Gain, in Australia in 1997. This was in direct competition with Regain/Rogain, and we sold the product in pharmacies across Australia.

Q: What attracted you to your current role?

Firstly, I am excited about the products. Having been in the industry for some time, I know how little innovation occurred in hair growth technology. Advangen's products present the first genuinely novel technology in the sector for quite some time. Secondly, I was attracted to the opportunity to be part of an ethical organisation and taking a clinically proven, cost effective and natural hair growth alternative to market.

Q: What do you attribute your success to in the past?

I constantly challenge established ideas.

Q: What keeps you up at night?

I have a mental checklist so I make sure that all outstanding matters are on this list. Then I can sleep peacefully.

Q: How do you spend your downtime?

With my three girls; although it's not much of a downtime I relish in every moment.

Q: What is the best piece of advice you have ever received?

If there's one thing in life you can't get back, that is - time! I keep this in mind both personally and professionally.

Q: Where do your best ideas come from?

Talking to peers and sound boarding ideas; thinking outside the square – nothing is ever impossible.

Q: How do you improve your own skills?

Above all I consider myself an entrepreneur and I surround myself with creative business people from different industries.

NEW PRODUCTS 2013

- évolis® shampoo for men
- évolis® shampoo for women

Shareholders are asking...

What is the likelihood of Cellmid's product reaching the market?

Firstly, Cellmid has several products in various stages of development from on market to preclinical. Our FGF-5 inhibitor hair growth products are already on the market in Australia and we expect to continue to roll out these products in international markets during the next 2-3 years.

Likewise our MK-ELISA, which has been on the market since 2010, has since become the gold standard in midkine measurement amongst researchers. We expect that our licensing partners, Celera-Quest and Pacific Edge will be launching products in 2013 including midkine as a biomarker. Although we can't comment on their timing, data released to date on the lung cancer and bladder cancer tests indicate that they both outperform current diagnostic tests in the relevant indications, which should be a good sign of market potential.

We also have several preclinical therapeutic programs and multiple opportunities for developing our antibodies as well as MK as a therapeutic agent. As a result of these multiple assets, we are likely to have reduced the impact that a single product failure may have on the Company.

One of the least talked about areas in biotechnology is risk management. The sector tends to be full of optimists, which is a great advantage when working in our business. However, it is also important to assess and manage the risks invariably associated with innovation.

At Cellmid, we take risk management seriously. We have consciously built a balanced asset portfolio to reduce the "bench to market" risks associated with a single product. We have also surrounded ourselves with highly experienced advisers and consultants from the start to guide us through the maze of product development. Finally, our board and management have all the technical, corporate and commercialisation expertise required to give us the best chance to succeed.

So, the likelihood of our products under development reaching the market is probably good, but one cannot predict how new technologies might perform in the future, even under the best risk management conditions.

Ask the shareholder: Paul Ranby

Paul Ranby, CDY Shareholder

We've decided to feature some of our shareholders in our upcoming newsletters. The first volunteer is Mr Paul Ranby and we only had to twist his arm a little.

What is your day job, Paul? Audit Director

Do you have any hobbies? I am particularly proud of an original FB Holden we own.

What is your favourite investment related book, if any?

I read many investment books when I was studying at University but these days I've become a skeptic of most of the investment publications out there.

Are you a frequent investor on the market?

Prior to allocating all of my market based investment in Cellmid, I invested in oil, gas, mining and mining service companies.

What type of companies interest you?

Any significantly underpriced small caps with highly marketable product lines and solid pipelines.

What is your general investment strategy?

Medium to long term positions in small caps that represent value and potential for a moderate but well controlled risk level.

Are you a fundamental or technical investor?

Fundamental.

When did you first invest in CDY and why?

I initially became aware of Cellmid because of a share price and volume spike a few years ago. From here I researched the company and gained a very keen interest in each of the company's pipelines.

CELLMID

Many of our shareholders have taken advantage of our 15% Shareholder discount, which has been available since mid 2012.

We will increase this discount to

30%

on all Advangen products until 1 March 2013 to celebrate the launch of our new évolis shampoo range.

www.advangen.com.au
www.evolisproducts.com.au

For further information please contact:

Maria Halasz
Chief Executive Officer and Managing Director
Cellmid Limited

Phone: +61 (0) 2 9299 0311
Email: halasz@cellmid.com.au
Web: www.cellmid.com.au

Cellmid - Fast Facts

Listings
Australian Securities Exchange

ASX Code: CDY

Issued Capital - Ordinary Shares
545,085,540

(Listed) Options
290,542,770 (exercise price $0.032 exp. 23 October 2016)

Market Capitalisation
A$12M (@ 25 Jan 2013)

Cash Position
A$1.77M (@ 31 Dec 2012)

Board

Dr David King	Chairman
Ms Maria Halasz	Chief Executive Officer and Managing Director
Mr Graeme Kaufman	Director
Mr Martin Rogers	Director

Senior Management

Mr Darren Jones	Head of Product Development
Mr Nicholas Falzon	Financial Controller and Company Secretary
Mr Andrew Bald	Company Secretary
Ms Emma Chen	VP Business Development

Forward looking statement

This publication contains forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks that may cause the actual results, performance or achievements of Cellmid to be materially different from the statements in this presentation. Actual results could differ materially depending on factors such as the availability of resources, the results of clinical studies, the timing and effects of regulatory actions, the strength of competition and the effectiveness of the Company's patent protection.