



ASX ANNOUNCEMENT

INDEPENDENT VALUATION REPORT OF ADVANGEN INC. JAPAN

SYDNEY, Thursday 19 September 2013: Cellmid Limited (ASX: CDY) releases an independent valuation report of Advangen Inc. Japan (Advangen Inc), a wholly owned subsidiary of Cellmid. The report has been prepared by SLM Corporate Pty Ltd (SLM) for release to the market. SLM is an independent corporate advisory firm providing corporate advisory services and general corporate advice including valuation services.

In May 2013, Cellmid acquired 100% of the shares in Advangen Inc. Fully paid ordinary shares in Cellmid were issued to shareholders of Advangen Inc as part consideration for the acquisition. Some of these shares were issued with security holder approval under ASX Listing Rule 7.1A. As such, it is necessary for Cellmid to comply with the requirements of ASX Listing Rule 7.1A.3 for the share issue.

The attached independent valuation report has been prepared and is being released to the market solely for the purpose of compliance with ASX Listing Rule 7.1A.3. None of the information in the valuation report is a forecast or projection of expected results or earnings guidance by or on behalf of Cellmid or any officer, employee or consultant of Cellmid.

End

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Cellmid Limited (ASX: CDY)

Cellmid is an Australian biotechnology company developing innovative novel therapies and diagnostic tests for inflammatory diseases, heart attack and cancer. Cellmid holds the largest and most comprehensive portfolio of intellectual property related to midkine and midkine antagonists globally. The Company's most advanced development programme is for the treatment of inflammatory disorders and cancer using its large portfolio of anti-midkine antibodies.

Elevated midkine concentration in the blood and other body fluids is strongly indicative of cancer. Cellmid is commercialising midkine as a biomarker for cancer diagnosis. The first product with midkine as one of the markers, CxBladder, was launched in the US in early 2013.

In 2010 Cellmid set up a dedicated subsidiary, Advangen International Pty Ltd, for the development of midkine for hair growth. Through this subsidiary, the Company acquired exclusive rights in certain territories to a range of hair growth products utilising FGF-5 inhibition technology. The products have since been successfully listed with the TGA and a commercial proof of concept launch was conducted in late 2012. In 2013 the Company acquired Advangen Inc, the owner of the FGF-5 technology and intends to expand the distribution of these products globally in the future.



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19 September 2013

The Directors
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Dear Sirs,

Independent Valuation Report

Advangen Inc. Japan

1 Introduction

1.1 Overview of the Valuation

SLM Corporate Pty Ltd (“SLM”) has been engaged to provide an independent valuation of the shares in Advangen Inc. Japan (“Advangen” or the “Company”). We understand our valuation is for the purpose of a transaction pursuant to which Cellmid Limited (ASX: CDY, “Cellmid”) acquired 100% of the shares of Advangen in May 2013.

1.2 Background to the Transaction

Cellmid acquired 100% of the shares of Advangen in a transaction involving the following:¹

- Payment of A\$1.2 million (JPY120 million) in cash;
- Issuing of 55,737,624 Cellmid shares at a nominal issue price of 5 cents each to 12 Advangen Inc. shareholders, with all of the shares being subject to voluntary escrow agreements for up to 12 months. Cellmid shares traded at approximately 3 cents at the time of the transaction (with the 15 day Volume Weighted Average Price (“VWAP”) up to 17 May 2013 of \$0.031 cents), and the fair value of the transaction was reported as \$2.89 million in Cellmid’s FY13 Annual Accounts.

1.3 Purpose of this Independent Expert’s Valuation Report

As part consideration for the acquisition of Advangen, fully paid ordinary shares in Cellmid were issued to the shareholders of Advangen. Most of these Cellmid shares were issued with security holder approval under Rule 7.1A.3. Under Rule 7.1A.3, where the equity securities are issued for non-cash consideration, the eligible entity must provide for release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with Rule 7.1A.3.²

This means that Cellmid must determine the value of the asset being acquired by the issue of securities (being a 100% equity interest in Advangen) and must demonstrate that the deemed issue price of any securities issued in part consideration for the acquisition of this asset is no

¹ Cellmid ASX Announcement, *Appendix 4C Quarterly*, June 2013

² ASX Listing Rule, Chapter 7, *Changes in Capital and New Issues*, Listing Rule 7.1A.3

lower than 75% of the VWAP of a Cellmid share calculated over the 15 days on which trades in the securities are recorded immediately before the securities are issued.

By commissioning SLM to prepare this Independent Valuation Report (“the Report”) on Advangen for release to the market, Cellmid is fulfilling the requirements of ASX Listing Rule 7.1A.3.

1.4 Sources of Information

In preparing this Report, SLM has utilised the following information:

- Correspondence between SLM and the Company’s management;
- Discussions with the Cellmid Managing Director and CEO, Maria Halasz, involving a series of questions and answers;
- Cellmid announcements to ASX dated 8 May 2013 and 28 May 2013;
- Advangen Inc. Japan Profit & Loss Projections April 2013 to March 2014
- Advangen Inc. Japan Profit & Loss Projections August 2013 to July 2014
- Advangen Inc. Japan Balance Sheet at 31 March 2013;
- Share allocation table for the Advangen Inc. Japan shareholders with escrow period
- Cellmid Limited top 20 shareholders as at August 2013
- Information Memorandum dated 15 October 2012 – Advangen International Pty Ltd
- Advangen International Pty Ltd financial model prepared by the Company’s management, with Japanese sales projections;
- SLM internal research, including in relation to the Japanese and Chinese markets for Advangen’s products and competitors.

1.5 Limitations and Reliance on Information

- This Report has been prepared solely for the purpose of assisting Cellmid to fulfil the requirements of ASX listing rule 7.1A.3 following the acquisition of Advangen.
- This Report does not take into account any asset value assigned to:
 - Intellectual property owned by Advangen;
 - Sales from China or any other market outside of Japan; or
 - Savings attributed to achieving potential reduced cost of goods and the removal of royalty payment obligations.
- The valuation in this Report is based on information that has been provided to SLM by Cellmid. The information includes historical financial data, confidential forecasts, key assumptions and descriptive details of Advangen’s activities and strategic opportunities (“the Information”).
- We have tested Cellmid management’s key assumptions in relation to Advangen’s prospects for reasonableness. Other than that, there has been no verification of the Information by SLM.
- SLM and its associates have relied solely on the Information and make no representations or warranties, express or implied, as to the accuracy, reliability or completeness of the Information, and the conclusions and recommendations based on the Information, contained in this Report.
- Any analysis, estimates, projections or recommendations in this Report involve significant elements of subjective judgment and analysis, which whilst compiled with due care and professionalism, may or may not be correct.

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- Any forward looking statement does not constitute and should not be regarded as a representation that the projected results will be achieved or that the underlying assumptions are valid.
 - There are usually differences between forecast and actual results because events and circumstances frequently do not occur as forecast and these differences may be material.
 - Any liability to the maximum extent permitted by law, is hereby expressly disclaimed and excluded.
 - This Report has been prepared solely for the purposes of preparing a valuation in accordance with ASX listing rule 7.1A.3. None of the information in this Report is a forecast of expected results or earnings guidance by or on behalf of Cellmid or by or on behalf of any officer, employee or consultant of Cellmid or SLM.

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2 Profile of Advangen Inc. Japan

2.1 Background and Overview of the Company

Advangen is a wholly owned subsidiary of ASX-listed biotechnology company Cellmid following Cellmid's acquisition of the shares in May 2013. Advangen was established in 2002 as a private Japanese biotechnology company funded by venture capital investors.

Advangen was originally set up to commercialise the FGF-5 inhibitor hair growth technology developed at Japan's National Institute of Advanced Industrial Science & Technology. In 2007, Advangen commenced sales of its first product in Japan after developing a range of hair loss prevention lotions and shampoos based on the company's FGF-5 inhibition technology.³

Advangen has also been active in the research and development of additional hair growth products. Advangen has collaborations with research institutes and has been generating new intellectual property with the view to filing new patents.⁴

Advangen has the exclusive right to manufacture, market and distribute its products in Japan, China, Taiwan, South Korea, Singapore and Malaysia. During 2012, Advangen secured Chinese import permits for its Jo-Ju[®] and Lexilis[®] branded lotions and shampoos. The Chinese market is anticipated to be the most significant for Advangen products.⁵ No sales have been made in China yet.⁶

Advangen owns the FGF-5 inhibitor technology platform including patents, patent applications, trade secrets, formulations and a number of trade marks.

The acquisition of Advangen enables Cellmid to achieve full ownership of the FGF-5 inhibitor technology platform, and also has strategic benefits for Cellmid as it gains immediate access to the established Japanese hair growth market, the Chinese market and other important Asian markets. This valuation does not address these emerging markets.

Cellmid researches and develops therapeutic, prognostic and diagnostic products using midkine. Midkine is a heparin binding growth factor used by Cellmid in products involving inflammatory and autoimmune conditions and cancer.

³ Cellmid ASX Announcement, *Cellmid Acquisition of Advangen Inc. Japan*, 08 May 2013

⁴ *Company sources*

⁵ Cellmid ASX Announcement, *Cellmid Acquisition of Advangen Inc. Japan*, 08 May 2013

⁶ *Company sources*

3 Industry Overview

3.1 Hair Regrowth Market Overview

In 1978, the first breakthrough in hair regrowth was a medication initially designed to treat severe high blood pressure. This medication also proved to have beneficial side effects in some patients. The drug called Minoxidil, originally taken in pill form but later tested as a topical treatment, has been shown to reduce the rate of thinning hair. Minoxidil, initially discovered in 1978 was not approved by the US Food and Drug Administration (FDA) until 1988 and did not become an over-the-counter product until 1995.⁷

Today the hair growth market covers an extremely wide range of sectors, including surgical procedures, such as hair transplants, and non-surgical products such as herbal remedies, tonics and shampoos. The global market for alopecia is difficult to estimate due to the diverse range of treatments and products available.⁸ Despite real advances in genuinely effective cosmetics, medical treatments and surgical procedures, hair loss solutions without any scientific validation and with minimal efficacy continue to be marketed today with astonishing success.⁹

It is estimated that the number of hair loss sufferers, world-wide, seeking professional treatment more than doubled between 2004 and 2008 from 361,077 to 811,363. With an ageing population, especially in Australia, this trend is likely to continue.

In the US, an estimated US\$1.8 billion is reportedly spent on invasive hair transplant procedures and another US\$1.2 billion on topical treatments. The Washington Post reports Americans spend more than US\$3.5 billion a year in attempting to treat their hair loss.

Large pharmaceutical companies recognise the opportunity that the hair growth market represents and it is understood that clinical trials are continuing to be conducted to extend the utility of Minoxidil™ and Propecia™.

Since the first sales of Advangen's products based on their FGF-5 inhibition technology, more than 700,000 bottles of the product have been sold in the established Japanese hair growth market alone. China is expected to be the most significant market for Advangen and the securing of import permits in 2012 will enable Advangen to penetrate this market. As there have been no sales in China to date we have excluded this market opportunity from our valuation.

3.2 Hair Regrowth Market Size and Approved Products

The only two products approved by the FDA as a result of controlled clinical trials, outside of hair transplant treatments, are the aforementioned topical Minoxidil™ along with the testosterone inhibitor tablet, Propecia™. Both of these products have some side effects yet still achieve annual sales of US\$300 million and \$1.1 billion respectively.¹⁰

Minoxidil (Rogain®) alone generated sales of US\$320 million in 2008, with annual sales closer to \$300 million since generic Minoxidil has become available. The total market size is significantly higher and continues to grow driven by increasing demand from the middle

⁷ Pantagotacos, P, MD, *The complete book of hair loss answers: your comprehensive guide to the latest and best techniques*, Chapter 5 Hair Loss Treatment History, 2005, p44

⁸ Company sources

⁹ Pantagotacos, P, MD, *The complete book of hair loss answers: your comprehensive guide to the latest and best techniques*, Chapter 5 Hair Loss Treatment History, 2005, p35

¹⁰ Company sources

classes in developing countries and companies introducing new products to tap this “lifestyle” market.¹¹

3.3 Japan Haircare Market Size and Participants

Globally, retail sales of haircare products, as opposed to hair growth products, increased by 5% in 2011 to reach US\$73.7 billion. Slow growth rates in the US, Japan and most of Western Europe were offset by more enthusiastic spending in the emerging markets such as China, India, Brazil, Russia and Mexico.¹²

In 2012, the Japanese haircare market had total revenues of \$5.9 billion. The Japanese haircare market which includes hair regrowth and general haircare products has experienced slow growth as the haircare market deals with the declining Japanese population. Compound annual growth of 1.3% is forecast for the five year period 2012 – 2017, which is expected to drive the market to a value of \$6.3 billion by the end of that period.¹³

Shampoo sales volume and value share of the haircare market are expected to grow by 3.6% annually to 2017 in the face of predicted marginal decline, in average constant value terms, in the haircare sector over the same period.¹⁴

There are three major competitors in the Japanese haircare market: Shiseido Company Limited, Kose Corporation and Kao Corporation. The Shiseido Group is a multi-brand company which operates throughout the world including Europe, US and Asia. Their Toiletries division, which forms part of the Shiseido Domestic Cosmetics Business, includes shampoo and other haircare products. The intensified competition in the haircare market adversely affected the Shiseido Toiletries division in 2013, yet in the first quarter of the 2014 financial year, Shiseido managed 5.7% growth in Domestic Toiletries Sales.¹⁵ Whilst these companies are not considered direct competitors as they do not market OTC hair growth products, they are important to note due to the somewhat overlapping cosmetic claims of some products around “thickening of the hair”.

The Kose Corporation also experienced growth in their Cosmetics Business, which includes the haircare range, of 3.6% for financial year 2013. According to the Kose Corporation’s assessment of the Japanese cosmetic market, which encompasses haircare products, the resultant effect of market maturity, growth in online sales and more intense competition from new entrants has seen the market remain tight.¹⁶ Emerging overseas markets such as China and Taiwan are posing similar threats to the Japanese market.¹⁷

The Kao Corporation develops consumer products that are classified into Beauty Care, Human Health Care and Fabric and Home Care categories. The Beauty care segment, which includes haircare products, accounts for 43.9% of the Kao organisation. Kao experienced 3.5% growth in beauty care sales for the Japan market in the first half of the 2013 calendar year.¹⁸

3.4 China Haircare Market

The emerging Chinese haircare market is said to be one of the major threats to growth in the haircare market in Japan. The China market still remains quite fragmented which suggests it is still quite some way from maturity. However, haircare in China registered strong current value growth of 9% in 2012, mainly driven by continuous new launches and product upgrades, in

¹¹ Company sources

¹² <http://www.euromonitor.com/hair-care-in-japan/report> [accessed 10/09/2013]

¹³ <http://www.marketresearch.com/MarketLine-v3883/Haircare-Japan-7680312> [accessed 09/09/2013]

¹⁴ <http://www.euromonitor.com/hair-care-in-japan/report> [accessed 10/09/2013]

¹⁵ Shiseido Company Limited Annual Report 2013, <<http://group.shiseido.com/ir/library/annual/>> [accessed 10/09/2013]

¹⁶ Kose Corporation Annual Report 2013, <<http://www.kose.co.jp/ip/en/ir/library/ar/2013/index.html>> [accessed 08/09/2013]

¹⁷ Kose Corporation Business Report 2013, <<http://www.kose.co.jp/ip/en/ir/library/ar/2013/pdf/3.pdf>> [accessed 09/09/2013]

¹⁸ Kao Corporation Annual Report Year Ending 31 December 2012, <http://www.kao.com/ip/en/corp_ir/reports.html> [accessed 07/09/2013]

addition to an emerging middle class and an increasing awareness about professional products.¹⁹ Proctor & Gamble maintained a strong position in the China haircare market experiencing a slight increase in its market share to 37% in 2012. Together with Unilever, they maintain 75% of the market share in China.²⁰

The leading brand of haircare in China remains Head and Shoulders™. Their early market entry and constant product upgrades to meet the changing consumer needs has aided the success of the product. This also highlights the opportunity within the Chinese market for specialised haircare products.²¹

¹⁹ <<http://www.cosmeticsdesign-asia.com/Market-Trends/China-professional-hair-care-is-fragmented-but-holds-potential>> [accessed 09/09/2013]

²⁰ <<http://www.cosmeticsdesign-asia.com/Market-Trends/China-professional-hair-care-is-fragmented-but-holds-potential>> [accessed 09/09/2013]

²¹ <<http://www.euromonitor.com/hair-care-in-china/report>> [accessed 08/09/2013]

4 Valuation Methodologies

4.1 Selection of Valuation Methodology

We considered a number of commonly used valuation methodologies and determined to assess the fair market value of Advangen using the Discounted Cash Flow method. In Table 1 below we have provided an explanation of the various valuation methodologies and the basis for our preferred methodology.

4.2 Background to our selection of the discounted cash flow method

Upon consideration of the Advangen business model and the Advangen forecasts provided to us by Cellmid, we determined that future forecast cash flows can be projected with a reasonable degree of confidence, provided the assumptions underpinning these cash flows are reasonable. Whilst the venture is at an early stage and there remains significant risk in executing the business plan, a number of assumptions can be made and/or validated around unit sales, pricing and costs.

We therefore selected the discounted cash flow method as being the most appropriate valuation methodology.

We have also reviewed the trading multiples of a small number of listed peers (local and Asian companies) in the hair care business, and have provided a comparable analysis in section 5.2 and Table 3 as a check against our discounted cash flow valuation.

Table 1 - Commonly used Valuation Methodologies

Valuation Methodology	Description	Suitability for valuing Advangen
Capitalised maintainable earnings	The capitalisation of future maintainable earnings method estimates a sustainable level of future earnings for a business and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The multiple used in this calculation is determined by the expected rate of return that an owner of the business of this nature would require.	Generally this method applies in circumstances where the business is relatively mature, has a proven track record, expectations of future profitability and has steady growth prospects. It is too early to predict reliable earnings and this method is not therefore appropriate for valuing this business.
Discounted cash flow method	The discounted cash flow method involves the construction of a financial model which forecasts future	This method is generally appropriate where future forecast cash flows can be projected with a reasonable

	<p>free cash flows of the business over an extended period. These forecast cash flows are then discounted back to determine a net present value of the business.</p>	<p>degree of confidence. DCF models are heavily influenced by changes in the business inputs and assumptions made in respect of those forecasts.</p> <p>We relied on a number of assumptions provided by Cellmid and Cellmid's forecasts for Advangen. We have validated these where possible.</p>
<p>Market Comparisons</p>	<p>This approach involves determining "value multiples" from comparative company data. The most common value multiples are earnings based multiples, which examine the value of other businesses as a function of their recent or forecast earnings.</p>	<p>It would be difficult to rely upon a market comparison as the sole method of valuation, given the challenge in identifying comparative companies with available data, matching the early stage and sole product focus of Advangen. However in this instance it is useful to undertake a market comparison as a sanity check of the valuation arrived at using the discounted cash flow method.</p>
<p>Risk adjusted Net Present Value method ("rNPV")</p>	<p>For the biotech industry, there is a modified Discounted Cash Flow / Net Present Value calculation called the risk adjusted NPV.</p> <p>It suggests that due to the nature of product development in biotechnology, the valuation of a company needs to consider the cost, risk and time associated with such product development. The discount rate in the traditional NPV covers the risk of achieving production and forecast sales and profits only.</p>	<p>We considered the business of Advangen to be in the nature of a fast moving consumable goods business rather than a typical biotech. Accordingly, we assessed this methodology as not appropriate.</p>
<p>Adjusted net asset backing and wind up value</p>	<p>This method is based on determining the liquidation value of the assets.</p>	<p>This methodology is typically used where the business has significant assets and is trading below the value of those assets.</p>

The market value price of the Company's shares	The price at which the securities are traded on a relevant exchange.	Advangen's shares are not traded on any relevant exchange.
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5 Valuation

5.1 NPV Valuation Summary (Japan sales only)

We have calculated an Enterprise Value for Advangen in the Base Case of \$4.86 million. Advangen had a cash balance of \$515,130 (comprising Cash, Term Deposits and Notes totalling ¥51.5 million) as at 24 May 2013²² which we have added to our Enterprise Value, in order to arrive at an Equity Value of \$5.37 million.

Table 2 sets out our NPV valuation in the Low, Base and High Cases. We modelled a Low and High Case in order to provide sensitivity analysis, but are satisfied that Base Case provides the most appropriate valuation basis.

Table 2 – NPV Valuations (Japan sales only)

	Low Case (A\$)	Base Case (A\$)	High Case (\$A)
NPV Business	2,918,147	4,856,058	8,246,933
Add: Net Cash	515,130	515,130	515,130
NPV Equity	3,433,277	5,371,188	8,762,063

5.2 Market Comparisons

As a check, we also undertook a valuation using market comparisons. Table 3 shows the EV / EBIT multiples of a number of listed peers (one ASX-listed and four overseas listed companies) in the hair care business. A brief description of each company is in **Appendix 1**.

In valuing Advangen on an earnings multiple basis, we calculated a 5-year earnings average (based on Cellmid's financial projections, with some of Cellmid's assumptions modified by us), to account for the initial ramp up period.

Table 3 – EV / EBIT multiples of Listed Peers

Company	Market Cap (A\$m)	Enterprise Value (A\$m)	EV / EBIT (x)	
			FY12	FY13
Bonjour Holdings (HK: 653)	667.5	647.8	16.6	na
S&J International Enterprises (TB: SNJ)	83.2	154.1	9.8	na
Marico International (IN: MRCO)	2,268.8	2,382.4	28.9	22.1
Blackmores (AU: BKL)	468.4	537.4	12.8	13.9
L'Occitane International SA (HK: 973)	4,274.4	4,063.3	18.1	17.4
		AVERAGE	17.2	17.8

We applied a private company discount of 50% to the listed peers' trading multiples (to reflect Advangen's lack of liquidity and scale, and the Company's earlier stage of development and greater risk relative to the global peers). See Table 4. We applied the resulting EV / EBITDA

²² Advangen acquisition balance sheet and assuming an exchange rate of ¥1 = A\$.01

multiples to the 5-year average earnings (enabling the forecast scale up in earnings to be reflected) in order to calculate an Enterprise Value and Equity Value for the Company.

Table 4 – Discounted Multiple for Private Company Valuation

	EV / EBIT (x) FY13
Listed Peers average multiple	17.8
Multiple after applying 50% private company discount	8.9

5.3 Valuation Summary

A summary of our valuation outputs is set out in Table 5 below.

The discounted cash flow method results in Equity Values ranging from \$3.43million in the Low Case to \$8.76 million in the High Case, **with our selected Base Case valuation of \$5.37 million.**

The multiples-based valuation method produced higher Equity Values, ranging from \$7.9 million in the Low Case to \$10.12 million in the High Case with \$8.7 million as the Base Case.

Table 5 – Summary of valuation outputs

	Low Case	Base Case	High Case
NPV Business	2,918,147	4,856,058	8,246,933
NPV Equity	3,433,277	5,371,188	8,762,063
Business Value based on EBIT Multiple	7,380,410	8,190,421	9,607,179
Equity Value based on EBIT Multiple	7,895,540	8,705,551	10,122,309

6 Summary and Opinion

As part consideration for the acquisition of Advangen, fully paid ordinary shares in Cellmid were issued to the shareholders of Advangen. Most of these Cellmid shares were issued with security holder approval under Rule 7.1A.3. Under Rule 7.1A.3, where the equity securities are issued for non-cash consideration, the eligible entity must provide for release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with Rule 7.1A.3.

This means that Cellmid must determine the value of the asset being acquired by the issue of securities (being a 100% equity interest in Advangen) and must demonstrate that the deemed price of any securities issued in part consideration for the acquisition of this asset is no lower than 75% of the VWAP of a Cellmid share calculated over the 15 days on which trades in the securities are recorded immediately before the securities are issued.

We have valued the deemed issue price of the Cellmid securities issued in consideration for the acquisition of Advangen by taking the NPV Equity values in the Low, Base and High Cases and subtracting the cash consideration (\$1.2 million) to arrive at a Value of the Non-Cash Consideration in each case. We divided the Value of the Non-Cash Consideration by the number of securities issued in the transaction to calculate a deemed issue price. This has resulted in a deemed issue price in the Low, Base and High Cases of 4 cents, 7.5 cents and 14 cents respectively (see Table 6).

Table 6 – Deemed Issue Prices

	Low Case	Base Case	High Case
NPV Equity	3,433,277	5,371,188	8,762,063
Less: Cash Consideration	(1,200,000)	(1,200,000)	(1,200,000)
Value of "Non Cash Consideration"	2,233,277	4,171,188	7,562,063
Shares Issued	55,737,624	55,737,624	55,737,624
Deemed Issue Price	\$ 0.040	\$ 0.075	\$ 0.14

The 15 day VWAP up to the date the securities were issued (17 May 2013) is calculated as 3.1 cents. 75% of the VWAP is 2.3 cents. The deemed issue price in the Low, Base and High Cases are all significantly higher than this price. Refer to Table 7 below.

Table 7 – Deemed Issue Prices versus 75% of 15 day VWAP

15 day VWAP (up to 17 May 2013)	\$ 0.031
75% of 15 day VWAP	\$ 0.023
Deemed Issue Price (Low Case)	\$ 0.040
Deemed Issue Price (Base Case)	\$ 0.075
Deemed Issue Price (High Case)	\$ 0.14
Nominal Issue Price	\$ 0.05



Accordingly, in our opinion, Cellmid can demonstrate that the deemed issue price of the securities issued in consideration for the acquisition of Advangen is greater than 75% of the VWAP calculated over the 15 days on which trades in the securities are recorded immediately before the securities were issued.

In our opinion, Cellmid therefore meets the requirements of Rule 7.1A.3 and the note to that Listing Rule.

7 Qualifications, Declarations and Consents

7.1 Qualifications

SLM is an independent corporate advisory and valuation firm providing advisory services in relation to mergers and acquisitions, public listings, divestments and corporate restructuring, balance sheet and capital optimisation, debt, hybrid and equity raisings, succession planning and general corporate advice including valuation services.

The team responsible for the preparation of this Report on behalf of SLM includes Mr Barry Lewin MBA, BCOM LLB and Mr Eugene Tong BCOM, MFinMgt. Mr Lewin is the Managing Director of SLM and has over 14 years' experience in relevant corporate advisory matters. Mr Lewin is authorised representative of SLM in relation to its AFS License No. 224034 issued pursuant to section 913B of the Corporations Act. Mr Tong is the Director of Corporate Finance of SLM and has over 5 years' experience in relevant corporate advisory matters. Mr Tong is an authorised representative of SLM under its AFS Licence No. 224034.

7.2 Declarations

It is not intended that this Report should be used or relied upon for any purpose other than as an expression of SLM's valuation opinion for the purposes of assessing whether Cellmid has met the requirements of Rule 7.1A.3 and the note to that Listing Rule in relation to its acquisition of Advangen, and the issue of Cellmid shares for that purpose. SLM expressly disclaims any liability to any Cellmid shareholder who relies or purports to rely on this Report for any other purpose and to any other party who relies or purports to rely on this Report for any purpose whatsoever.

This Report has been prepared by SLM with care and diligence and the statements and opinions given by SLM in this Report are made in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by SLM or any of its officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve SLM from liability arising from an opinion expressed recklessly or in bad faith.

SLM does not have at the date of this Report, and has not previously had, any shareholding in or other relationship with Cellmid that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to its engagement or the transaction that is being assessed. SLM considers itself to be independent in terms of ASIC's Regulatory Guide 112 dated 30 March 2011.

SLM will receive a fixed fee of \$10,000 plus GST for the preparation of this Report. This fee is not contingent on the outcome of the transaction. SLM will not receive any other benefit for the preparation of this Report. SLM does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to its engagement or the transaction that is being assessed.

An advance draft of this Report was provided to Cellmid. Certain changes were made to this report as a result of the circulation of the draft report. No alterations were made to the methodology or conclusions as a result of circulating the draft Report.

7.3 Financial Services Guide

SLM holds AFS Licence No. 224034 authorising the company to provide general financial product advice on securities and interests in managed investment schemes to wholesale investors. SLM does not accept instructions from retail investors, provides no financial

services directly to retail investors and receives no remuneration from retail investors for financial services. When providing an independent expert's report, SLM's client is the entity to which the report is provided. SLM receives its remuneration from that entity which, in this case, is Cellmid. No related body corporate of SLM or any of the directors, employees or officers of SLM receives any remuneration or other benefit directly attributable to the preparation and provision of this Report. SLM is required to be independent of Cellmid in order to provide this Report. The guidelines for independence are set out in ASIC's Regulatory Guide 112 dated 30 March 2011. SLM is only responsible for this Report including this Financial Services Guide.

7.4 Consents

SLM consents to the release by Cellmid of this Report to the market for the purposes of meeting the requirements of Rule 7.1A.3 and the note to that Listing Rule. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without the prior written consent of SLM as to the form and context in which it appears.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'B. Lewin'.

Barry Lewin

SLM CORPORATE PTY LTD

Appendix 1 – Description of Comparable Companies

Company	Description
Bonjour Holdings (HK: 653)	Retailers and wholesales brand name beauty and healthcare products. Also operates beauty and health salons in Hong Kong. Products sold include skin care products, fragrances and cosmetics, hair care and personal-care products.
S&J International Enterprises (TB: SNJ)	Manufactures cosmetics and related products under licenses from Kolmar Inc USA. Produces make-up, hair care, skin care, nail care and toiletries under several brands.
Marico International (IN: MRCO)	Manufactures consumer products and services in the beauty and wellness space. Known for its presence in the following categories: coconut oil, hair oils, anti-lice treatment, edible oils and fabric care.
Blackmores (AU: BKL)	Manufactures and markets vitamins, herbal, mineral supplements and natural skin and hair treatment products in Australia and New Zealand.
L'Occitane International SA (HK: 973)	Sells natural and organic ingredient based cosmetics and well-being products through a global network of stores. Product range includes skin care, hair care, fragrances, bath and body lotions.