ACTINOGEN LIMITED

ACN 086 778 476

of Level 7, 231 Adelaide Terrace, Perth WA 6000

Circular to Shareholders

including

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

General Meeting of Actinogen Limited to be held at
The Goodearth Hotel, 195 Adelaide Terrace, Perth, Western Australia
on the 23rd day of September 2011 commencing at 10.00 am (WST).

This document should be read in its entirety. Shareholders should note that the independent expert has concluded that the transaction in resolution 1 is **not fair but it is reasonable** to non-associated Shareholders. If after reading this Circular to Shareholders, you have any questions or doubts as to how you should vote, you should contact your stockbroker, solicitor, accountant or professional adviser.

DATE: 19 August 2011

ACTINOGEN LIMITED
ACN 086 778 476

Corporate Directory

Directors	Dr Zhukov Pervan MB BS(WA), FRACGP, FAICD Chairman Associate Professor David Keast BSc, MSc, PhD, MASM Scientific Director David Zohar BSc, DipEd Executive Director Emeritus Professor Alan R Morton AM, Dip PE, MSc, EdD, DSc(HC), DEd(HC), FACSM, FASMF, FACHPER, FAAESS Non-executive Director Simon England BCom, LLB (Hons), GAICD Non-executive Director
Company Secretary	Suraj Sanghani BCom (UWA), CA, GradDipACG
Head Office	Level 7, 231 Adelaide Terrace PERTH WESTERN AUSTRALIA 6000 Phone: (08) 9225 4815 Fax: (08) 9225 6474 Website: www.actinogen.com.au
Registered Office	Level 11, 16 St Georges Terrace PERTH WESTERN AUSTRALIA
Auditors	Rothsay Chartered Accountants 96 Parry Street PERTH WESTERN AUSTRALIA
Lawyers	Lawton Gillon Level 11, 16 St Georges Terrace PERTH WESTERN AUSTRALIA 6000
Share Registry	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace PERTH WESTERN AUSTRALIA 6000
ASX Code	ACW, ACWO, ACWOA

ACTINOGEN LIMITED
ACN 086 778 476

Notice of General Meeting

NOTICE IS GIVEN THAT a General Meeting of Actinogen Limited ("the Company") will be held at The Goodearth Hotel, 195 Adelaide Terrace, Perth, Western Australia on 23 September 2011 commencing at 10 am WST.

Information on the proposals to which the resolutions set out below relate is contained in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.

1. ACQUISITION OF SHARES IN CELGENICS LIMITED

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

> "That for the purposes of Listing Rules 10.1, 10.11 of the Listing Rules of the ASX, section 208 and 611(7) of the Corporations Act and for all other purposes, approval be given for the Company to enter into an agreement with the shareholders of Celgenics Limited whereby the Company acquires 100 per cent of the issued shares of Celgenics Limited and that the Company issues to the shareholders of Celgenics Limited in the proportions set out in the Explanatory Memorandum, 31,000,003 fully paid shares in the capital of the Company on the terms set out in the Explanatory Memorandum."

Voting Exclusion

For the purposes of ASX Listing Rules 10.10 and 10.11 in relation to Resolution 1, the Company will disregard any votes cast by any party who is a party to the transaction and a person who is to receive securities in relation to the entity and any of their associates. However, the Company need not disregard a vote if:

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

Shareholders should note that the independent expert has concluded that the transaction in resolution 1 is **not fair but it is reasonable** to non-associated Shareholders.

"Snap-Shot" Time

The Corporations Act permits the Company to specify a time, not more than 48 hours before the meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting.

The Company's directors have determined that all shares of the Company that are quoted on ASX at 10 am WST, 21 September 2011 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the shares at that time.

PROXIES

Please note that:

(a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion is not specified each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

DATED: 19 August 2011

BY ORDER OF THE BOARD

SURAJ SANGHANI
Company Secretary
Actinogen Limited

ACTINOGEN LIMITED
ACN 086 778 476

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at The Goodearth Hotel, 195 Adelaide Terrace, Perth, Western Australia on 23 September 2011 commencing at 10am WST.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolution.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of General Meeting.

Background

Celgenics Limited is primarily involved in research and development directed to discover bacterial products that can specifically kill human cancer stem cells and/or direct specific differentiation pathways of human stem cells.

Cancer Stem Cells (CSCs) are cancer cells (found within solid tumors or hematological cancers) that possess characteristics associated with normal stem cells, specifically the ability to give rise to all cell types found in a particular cancer sample. CSCs may generate tumors through the stem cell processes of self-renewal and differentiation into multiple cell types. Therefore, development of specific therapies targeted at CSCs holds hope for improvement of survival and quality of life of cancer patients.

CSCs appear to represent a very small proportion of the tumor. It seems possible that conventional chemotherapies kill mainly other cancer cells, which form the bulk of the tumor. Some CSCs, which gave rise to the cancer could remain untouched and be responsible for a relapse of the disease.

Celgenics research is focused on the detection and isolation of actinomycetes, for the tests of activity against CSC's and other substrates. Actinomycetes are a group of micro-organisms some of which can produce unique bioactive compounds including antibiotics and anti-cancer compounds. Actinomycetes, have been the greatest source of antibiotics since the discovery of Streptomycin in 1944. Since then, actinomycetes have provided approximately two thirds of the naturally occurring antibiotics.

Celgenics also intends to begin research into the use of Adult Stem cells in various other areas. These may include: Alzheimers, Diabetes, Multiple Sclerosis and regeneration of damaged tissue such as spinal cord or heart.

RESOLUTION 1 – ACQUISITION OF SHARES IN CELGENICS LIMITED

Background to Resolution 1

The Directors of the Company have resolved to acquire 100 per cent of the issued share capital of Celgenics Limited ("Celgenics"). Celgenics has an issued capital of 31,000,003 shares. The consideration to be provided by the Company for the acquisition of the shares is the issue of 31,000,003 shares in the Company to the shareholders of Celgenics. The shares will be issued to shareholders of Celgenics on a pro rata basis. Each shareholder of Celgenics will receive 1 share in the Company for every 1 share that they hold in Celgenics.

David Zohar, David Keast and Zhukov Pervan are directors of the Company. David Zohar is a director of Celgenics Limited and a shareholder. Zhukhov Pervan and associates and David Keast and associates are shareholders of Celgenics Limited. For the purposes of Listing Rule 10, David Zohar, David Keast and Zhukov Pervan are persons in a position of influence in the Company. Pursuant to Listing Rule 10.1, a company is required to obtain shareholder approval prior to entering into a transaction with a person in a position of influence.

In the circumstances, the Company is required to obtain the approval of shareholders to enable the transaction contemplated by Resolution 1 to proceed.

Independent expert report

Pursuant to Listing Rule 10.10, to obtain the approval of shareholders pursuant to Listing Rule 10.1 the Company has obtained a report on the transaction from an independent expert, being Stantons International Securities. The independent expert has concluded that the transaction is **not fair but it is reasonable** to the shareholders of the Company. The independent expert has noted in paragraph 1.11 on page 4 of their report that the "valuation of technology interests and the valuation of future profitability and cash flows are extremely subjective". Since the independent expert cannot determine a fair value for Celgenics, they have concluded that the proposals are not fair. A copy of the independent expert's report in its entirety appears as Annexure "A" to this memorandum. The Company strongly recommends that Shareholders read the independent expert report in full.

The Company has obtained an independent expert report on the assets of Celgenics. A copy of the independent expert report on the assets of Celgenics in its entirety appears as Annexure "B" to this memorandum. The Company strongly recommends that Shareholders read the expert report on the assets of Celgenics in full.

David Zohar is a director of the Company and is also a director and significant shareholder in Celgenics. David Zohar and parties related to him (Swancove Enterprises Pty Ltd, Julie Zohar and Shoshanna Zohar) currently hold between them 7,827,982 shares in the Company and 11,750,000 options to subscribe for shares in the Company at 50 cents expiring 01/08/12. David Zohar and his associates currently have a voting power of 15.8% of the Company.

Zhukov Pervan and associates currently hold 7,133,334 shares in the Company and 11,750,000 options to subscribe for shares in the Company at 50 cents expiring 01/08/12. Zhukov Pervan and associates currently have a voting power of 14.4% of the Company.

David Keast and his associates currently hold 3,733,333 shares in the Company and 5,000,000 options to subscribe for shares in the Company at 50 cents expiring 01/08/12. David Keast and associates currently have a voting power of 7.5% of the Company.

Table 1.1

The percentage interest of the Directors and their associates in the Company

Name	Total No of shares held	% held	Total No of options held	% held
David Zohar and associates	7,827,982	15.8	11,750,000	26.8
Zhukov Pervan and associates	7,133,334	14.4	11,750,000	26.8
David Keast and associates	3,733,333	7.5	5,000,000	11.4
TOTAL ON ISSUE	49,464,426		43,837,078	

Table 1.2

The percentage interest of the Directors and their associates in Celgenics

Name	Total No of shares held	% held	Total No of options held	% held
David Zohar and associates	10,000,003	32.3	0	0
Zhukov Pervan and associates	10,000,000	32.3	0	0
David Keast and associates	10,000,000	32.3	0	0
TOTAL ON ISSUE	31,000,003		0	

Regulatory requirements

Corporations Act - Chapter 2E

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party, unless it has the approval of its members. Celgenics is a related party because three of the Company's directors are significant shareholders in Celgenics and David Zohar is a director of Celgenics and the Company.

The following information in respect of the proposed share issue is provided to meet the requirements of Chapter 2E of the Corporations Act:

(a) Who is the related party?

The related parties are Celgenics, David Zohar and associates, Zhukov Pervan and associates and David Keast and associates.

(b) What is the nature of the financial benefit?

The financial benefit being provided by the Company is the issue of 31,000,003 shares to Celgenics as consideration for the acquisition of 100% of the share capital of Celgenics.

The 31,000,003 shares provided to Celgenics will be distributed amongst the shareholders of Celgenics on a one to one ratio.

David Zohar and associates will be receiving 10,000,003 shares in Actinogen for their 10,000,003 shares in Celgenics. Zhukov Pervan and associates will be receiving 10,000,000 shares in Actinogen for their 10,000,000 shares in Celgenics and David Keast will be receiving 10,000,000 shares in Actinogen for his 10,000,000 shares in Celgenics. The independent expert report prepared by Stantons (Annexure A) places a value on these shares as between 3.1 and 8 cents. Therefore the approximate value that each of the related parties will be receiving is between $310,000 and $800,000.

(c) What do the directors recommend?

(i) David Zohar does not make any recommendation as he has an interest in the outcome;

(ii) Zhukov Pervan does not make any recommendation as he has an interest in the outcome;

(iii) David Keast does not make any recommendation as he has an interest in the outcome.

(iv) Alan Morton recommends that shareholders vote in favour of Resolution 1. Dr Morton bases his recommendation on the information contained in the independent report by Found and Associates, the information contained in the independent expert report by Stantons International Securities, the information contained in the Company's financial reports and his knowledge of the value of the intellectual property and the potential of the research that Celgenics owns. Dr Morton has reviewed Celgenics' current intellectual property, technology and research.

Dr Morton has determined that an offer of 1 Actinogen share for every 1 Celgenics share is in the best interests of the Company because Celgenics owns:

i. intellectual property and technology for dealing with cancer stem cells;

ii. a unique library with over 1000 actinomycetes which will be used by the Company in conjunction with the Company's existing research; and

iii. tissue samples, which contain the cancer stem cells.

The Company intends to incorporate Celgenics' intellectual property and technology into its existing research programs. In Dr Morton's opinion, the data, research and tissue samples currently owned by Celgenics will be highly beneficial to the Company's existing research programs. After consideration, Dr Morton believes that if Resolution 1 is passed, it will be in the best interests of the Company.

(v) Simon England makes no recommendation because he had provided legal advice to the Company and Celgenics.

(d) Do any directors have an interest in the outcome of the proposed resolution?

David Zohar, Zhukov Pervan and David Keast have a personal interest in the outcome of the proposed resolution in that they hold shares in Celgenics and will receive shares in the Company for their Celgenics shares.

(e) What other information known by the directors would reasonably be required by members regarding the resolution?

After resolution 1 is passed, David Zohar and associates, Zhukov Pervan and associates and David Keast and associates will increase their shareholdings in the Company:

1. David Zohar and associates' shareholding in the Company will increase from 15.8% to 22.2%.

2. Zhukov Pervan and associates' shareholding in the Company will increase from 14.4% to 21.3%.

3. David Keast and associates' shareholding in the Company will increase from 7.5% to 17.1%.

Corporations Act - Part 6.1

Section 606 of the Corporations Act prohibits a person, from acquiring a "relevant interest" (defined in the Corporations Act as holding or controlling the vote attached to or the disposal of a security) in issued voting shares in a company where as a result of that acquisition that person's or some other person's voting power in the company increases from a level of below 20% to a level that is above 20%.

A person's "voting power" for these purposes is defined as the total number of votes attached to voting shares in the company in which that person or his associate has a relevant interest expressed as a percentage of the total number of votes attached to all voting shares in the relevant company.

The issued capital of the Company is currently 49,464,426 shares of which David Zohar and associates have an interest of 15.8%, Zhukov Pervan and associates have an interest of 14.4% and David Keast and associates have an interest of 7.5%.

David Zohar and associates, Zhukov Pervan and associates and David Keast and associates all have a voting power of 32.3% in Celgenics. Should Resolution 1 be passed, David Zohar and associates will be issued 10,000,003 extra shares in the Company and Zhukov Pervan and associates and David Keast and associates will be issued 10,000,000 extra shares in the Company.

This will increase David Zohar and associates' relevant interest in the Company from 15.8% to 22.2% and Zhukov Pervan and associates' relevant interest from 14.4% to 21.3%. The increases of these interests from below 20% to above 20% cause s606 of the Corporations Act to be invoked.

Table 1.3

The interests of the related directors should resolution 1 be passed

Name	Total No of shares held	% held	Total No of options held	% held
David Zohar and associates	17,827,985	22.2	0	0
Zhukov Pervan and associates	17,133,334	21.3	0	0
David Keast and associates	13,733,333	17.1	0	0
TOTAL ON ISSUE	80,464,429		0	

Section 611(7) of the Corporations Act excludes from the prohibition in Section 606 an acquisition of relevant interests in voting shares in a company by virtue of an allotment if the company has approved of the allotment by a resolution passed at a general meeting at which no votes were cast in relation to the resolution in respect of any shares held by, or by an associate of, the person to whom the first mentioned shares were to be allotted.

Section 611(7) of the Corporations Act provides that the following information must be provided to Shareholders in connection with a vote on a resolution designed to satisfy its requirements.

The members of the company must be given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution, including:

(i) The identity of the person proposing to make the acquisition and their associates:

Celgenics is the acquirer of the Company's shares under resolution 1. David Zohar, Zhukov Pervan and David Keast are shareholders of the Company and they each have a voting power of 32.3% in Celgenics through direct and indirect shareholdings. Should resolution 1 be passed, David Zohar and associates will be issued 10,000,003 shares in the Company and Zhukov Pervan and associates and David Keast and associates will each be issued 10,000,000 shares in the Company.

(ii) The maximum extent of the increase in that person's voting power in the company that would result from the acquisition:

David Zohar and associates: 15.8% to 22.2%

Zhukov Pervan and associates: 14.4% to 21.3%

(iii) The voting power that person would have as a result of the acquisition:

David Zohar and associates: 22.2%

Zhukov Pervan and associates: 21.3%

(iv) The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition:

David Zohar and associates: 6.4%

Zhukov Pervan and associates: 6.9%

(v) The voting power that each of that person's associates would have as result of the acquisition:

22.2% and 21.3%.

Resolution 1 is, therefore, designed to fulfil the requirements of Section 611(7) of the Corporations Act in relation to the acquisition of 100% of the issued capital of Celgenics by the Company.

Information required by the Listing Rules

The following information in respect of the proposed share issue is provided in accordance with Listing Rule 10.13:

(a) The name(s) of the person to whom shares will be issued:

- David Zohar and associates – 10,000,003 shares
- David Keast – 10,000,000 shares
- Zhukov Pervan and associates – 10,000,000

(b) The maximum number of securities to be issued to the person:

There will be 30,000,003 shares issued to the people as outlined above in (a).

(c) The date by which the company will issue the shares:

The shares will have been issued no later than ONE (1) month after the date of the meeting, or such later date as may be permitted by any waiver granted by ASX and will be issued on one date.

(d) The issue price of the shares:

Nil.

(e) Terms of the issue:

The shares to be issued will be ordinary, fully paid shares ranking pari passu with all other existing shares.

(f) The use (or intended use) of the funds raised:

No funds will be raised by the issue of the shares.

GLOSSARY

In this Explanatory Memorandum, the following terms have the following unless the context otherwise requires:

"**ASX**"	means ASX Limited (ABN 98 008 624 691).
"**Board**"	means board of Directors.
"**Company**"	means Actinogen Limited (ACN 086 778 476).
"**Corporations Act**"	means the Corporations Act 2001 (Cth) and all regulations made pursuant to such legislation, as amended from time to time.
"**Director**"	means a director of the Company.
"Celgenics"	means Celgenics Limited (ACN 128 236 331).
"**Listing Rules**"	means Listing Rules of ASX, as amended or replaced from time to time, except to the extent of any waiver by ASX.
"**Shareholder**"	means a member of the Company, as defined in the constitution of the Company.
"**Shares**"	means ordinary fully paid shares in the capital of the Company.
"**WST**"	means Western Standard Time.

Annexure A

Independent Experts Report
Stanton's International Securities

Stantons International Pty Ltd trading as
Stantons International Securities
ABN 41 103 088 697 AFS Licence No. 319600

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

1 August 2011

The Directors
Actinogen Limited
Level 7, 231 Adelaide Terrace
PERTH WA 6000

Dear Sirs

RE: ACTINOGEN LIMITED ("ACTINOGEN" OR "COMPANY") (ACN 086 778 476) MEETING OF SHAREHOLDERS PURSUANT TO LISTING RULES 10.1 AND 10.11 OF THE AUSTRALIAN SECURITIES EXCHANGE ("ASX") AND SECTION 611 OF THE CORPORATIONS ACT 2001 ("TCA") ON THE PROPOSAL TO ACQUIRE 100% OF THE ISSUED SHARE CAPITAL OF CELGENICS LIMITED (ACN 128 236 331) ("CELGENICS") FOR THE CONSIDERATION OF 31,000,003 SHARES IN ACTINOGEN

1. Introduction

1.1 We have been requested by the directors of Actinogen to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals pursuant to resolution 1 as detailed in the Notice of Meeting to Actinogen shareholders (the "Notice") and the Explanatory Memorandum to Shareholders accompanying the Notice that is to be forwarded to shareholders in August 2011.

1.2 Under resolution 1 it is proposed that Actinogen will acquire 100% of the issued capital (31,000,003 shares) of Celgenics for a purchase consideration of 31,000,003 ordinary shares in Actinogen. For the purposes of this report the 31,000,003 shares to be issued by Actinogen are described as the Consideration Shares. It is expected that at least 30,000,003 of the Consideration Shares will be escrowed for a period of 12 months commencing on the date the Consideration Shares are issued. For the purpose of this report the proposed acquisition of all of the shares in Celgenics is known as "the Transaction". The completion of the Transaction is subject to a number of conditions precedent; including Actinogen obtaining all necessary shareholder and regulatory approvals, including approval under Section 611 (Item 7) of TCA and Listing Rules 10.1 and 10.11 for the Transaction.

1.3 David Zohar ("Zohar"), Zhukov Pervan ('Pervan") and David Keast ("Keast") are directors of Actinogen and the directors of Celgenics are Messrs David Zohar, Julie Zohar and Shoshanna Zohar. Zohar, his spouse Julie Zohar, his daughter Shoshanna Zohar and Swancove Enterprises Pty Ltd, a company controlled by Zohar and Julie Zohar ("Zohar Group") own, as at 31 July 2011, 7,827,982 shares (and 11,750,000 share options) in Actinogen representing approximately 15.83% of the shares on issue at that date and 10,000,003 shares and nil options in Celgenics representing approximately 32.26% of the shares on issue in Celgenics as at 31 July 2011.

In addition, the interests of the Zohar Group own a total of 11,750,000 share options in Actinogen that if exercised (and no other share issues occurred) would result in the Zohar Group's shareholding interest in Actinogen approximating 31.98%. Pervan and his deemed associates own 7,133,334 shares in Actinogen and owns 11,750,000 share options and 10,000,000 shares in Celgenics (no share options). Keast and his deemed associates own 3,733,333 shares in Actinogen and 5,000,000 share options and 10,000,000 shares and no share options in Celgenics. Pursuant to ASX Listing Rule 10.1 a company is required to obtain shareholder approval prior to entering into a transaction with a person in a position of influence. David Zohar, Zhukov Pervan and David Keast are considered to be in a position of influence. Messrs Zohar, Pervan and Keast are known in this report as the Associated Vendors. In addition, another director of Actinogen holds 666,666 shares and 1,000,000 share options in Actinogen and nil shares and share options in Celgenics.

1.4 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.5 ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to, a related party without the approval of the entity's ordinary securities. A "substantial asset" is an asset valued at greater than 5% of the equity interests of a company. For the purposes of ASX Listing Rule 10.1, the Associated Vendors of Celgenics are "related parties" of the Company due to the fact that Zohar, Pervan and Keast are directors of the Company and substantial shareholders of the Company.

The value of the consideration for the Celgenic Acquisition is greater than 5% of the Company's equity interests as set out in the latest accounts given to ASX by the Company. As a result, the acquisition of the Celgenic Shares by the Company from the Associated Vendors is considered to be an acquisition of a substantial asset. Accordingly, the Company is seeking shareholder approval for the purpose of ASX Listing Rule 10.1. ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition prepared by an independent expert.

1.6 If the acquisition of all of the shares in Celgenics by Actinogen proceeds, the Associated Vendors collectively will be issued with a total of 30,000,003 Consideration Shares in Actinogen as consideration for the sale of the shares in Celgenics, representing approximately 37.28% of the expanded ordinary issued capital of Actinogen (80,464,429 shares will be on issue) before the exercise of any share options or any other share issues. Including, the current interests of the Zohar Group, the Pervan Group and the Keast Group in Actinogen, the combined Associated Vendors interests in Actinogen would after the issue of the Consideration Shares, in the absence of any further share issues would be 48,694,652 shares in Actinogen representing

approximately 60.52% of the Actinogen expanded capital. The interests of the Zohar Group would after the issue of the Consideration Shares, in the absence of any further share issues would control 17,827,985 shares in Actinogen representing approximately 22.16% of the Actinogen expanded capital. The interests of the Pervan Group would after the issue of the Consideration Shares, in the absence of any further share issues would control 17,133,334 shares in Actinogen representing approximately 21.29% of the Actinogen expanded capital. The interests of the Keast Group would after the issue of the Consideration Shares, in the absence of any further share issues would control 13,733,333 shares in Actinogen representing approximately 17.07% of the Actinogen expanded capital. If the Zohar Group also exercised the 11,750,000 share options exercisable at 50 cents each on or before 1 August 2012 they already own in Actinogen (they would need to pay Actinogen $5,875,000), the Zohar Group would own 29,577,985 shares in Actinogen representing approximately 32.08% of the expanded issued capital of Actinogen assuming no other share issues. If the Pervan Group exercised the 11,750,000 share options exercisable at 50 cents each on or before 1 August 2012 they already own in Actinogen (they would need to pay Actinogen $5,875,000), the Pervan Group would own 28,883,334 shares in Actinogen representing approximately 31.32% of the expanded issued capital of Actinogen assuming no other share issues. The combined expanded shareholding of the Zohar Group and the Pervan Group if both groups exercised their share options would be approximately 28.45% and 27.78% respectively. Tables 1.1 to 1.3 outlined in the ES notes various share and option holdings of the Zohar Group, Pervan and Keast.

1.7 Therefore a notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA and ASX Listing Rules 10.1 and 10.11 must be accompanied by an Independent Expert's Report stating whether the Transaction noted under resolution 1 is fair and reasonable. To assist shareholders in making a decision on the Transaction, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Transaction is fair and reasonable to the non-associated shareholders of Actinogen (not associated with the Zohar Group, Pervan Group and Keast Group).

1.8 Celgenics is an unlisted public company incorporated in 2007 as Banksia Hill Resources Limited but changed its name and business direction in September 2009. Celgenics is also in a similar field to Actinogen in that it is researching in the field of Actinomycetes. The plan is to isolate certain properties from Actinomycetes to be used in the treatment of certain types of cancer and in particular specifically kill off cancer stem cells. Celgenics has conducted research from late 2009 to date on this area. To date there has been no major breakthrough but testing is on-going.

We have not undertaken any due diligence on Celgenics or its technological interests.

1.9 In determining the fairness and reasonableness of the proposed acquisition of Celgenics, we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also

be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottee(s) (in this case, the Associated Vendors and in particular, the Zohar Group and the Pervan Group) and whether a premium for potential control is being paid by the allottees.

Accordingly, our report relating to the issue of the Consideration Shares to the Associated Vendors is concerned with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of Actinogen and whether the Zohar Group and the Associated Vendors collectively are paying a premium for increased control.

1.10 Apart from this introduction, this report considers the following:

- Summary of opinion;
- Implications of the proposals;
- Corporate history and nature of business of Actinogen and Celgenics;
- Future directions of Actinogen;
- Basis of valuation of Actinogen shares as consideration;
- Basis of valuation of Celgenics;
- Conclusion as to fairness;
- Reasonableness of the proposals under resolution 1;
- Conclusion as to reasonableness;
- Sources of information; and
- Appendix A and our Financial Services Guide.

1.11 In our opinion, the proposal as outlined in resolution 1 on a market-based approach is **on balance, reasonable** to the shareholders of Actinogen not associated with the Associated Vendors. However, it is noted that the Company will need to undertake a further equity raising in 2011 in order to have sufficient working capital to fund on-going administration, corporate and research and development costs (the Company is not in the development phase). Owing to the nature of the business of Actinogen and Celgenics, valuations depend on the values placed on the technology interests of the companies. The valuation of technology interests and the valuation of future profitability and cash flows are extremely subjective as they involve assumptions regarding future events that are not capable of independent substantiation. Since we cannot determine a fair value for Celgenics, we have concluded **that the proposals are not fair.**

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

2. Implications of the Proposals

2.1 As at 31 July 2011, there are 49,464,426 fully paid shares on issue in Actinogen. After the issue of the Consideration Shares, the minimum number of shares that would be on issue is 80,464,429.

	No. of shares	% of issued shares
Swancove Enterprises Pty Ltd	7,342,333	14.84
Dr Zhukov Pervan	7,133,334	14.42
Professor David Keast	3,733,333	7.55
United Orogen Limited	2,000,000	4.04
Southern Oncology Services Pty Ltd	913,181	1.85
	21,122,181	42.70

The Top 20 shareholders at 31 July 2011 owned approximately 55.53% of the ordinary issued capital of the Company.

2.2 The current Board of Directors comprises David Zohar, Zhukov Pervan, David Keast, Alan Morton and Simon England. If resolution 1 is passed and consummated, it is not contemplated to change the Board in the immediate future. Further directors may be appointed later as needs dictate.

2.3 The Company would own 100% of the share capital of Celgenics and a pro-forma consolidated statement of financial position is disclosed elsewhere in this report.

2.4 If the acquisition of all of the shares in Celgenics by Actinogen proceeds, the Associated Vendors collectively will be issued with a total of 30,000,003 Consideration Shares (out of the 31,000,003 Consideration Shares to be issued) in Actinogen as consideration for the sale of the shares in Celgenics, representing approximately 37.28% of the expanded ordinary issued capital of Actinogen (80,464,429 shares will be on issue) before the exercise of any share options or any other share issues. Including, the current interests of the Zohar Group, the Pervan Group and the Keast Group in Actinogen, the combined Associated Vendors interests in Actinogen would after the issue of the Consideration Shares, in the absence of any further share issues would be 48,694,652 shares in Actinogen representing approximately 60.53% of the Actinogen expanded capital. The interests of the Zohar Group would after the issue of the Consideration Shares, in the absence of any further share issues would control 17,827,985 shares in Actinogen representing approximately 22.16% of the Actinogen expanded capital. The interests of the Pervan Group would after the issue of the Consideration Shares, in the absence of any further share issues would control 17,133,334 shares in Actinogen representing approximately 21.29% of the Actinogen expanded capital. The interests of the Keast Group would after the issue of the Consideration Shares, in the absence of any further share issues would control 13,733,333 shares in Actinogen representing approximately 17.07% of the Actinogen expanded capital.

3. Corporate History and Nature of Business

Actinogen

3.1 Actinogen is an ASX listed company that specialises in biotechnology research with the aim to develop biotechnology products. The Company's main activity is in commercialisation of bioactive compounds. The principal activity of the company has been to pursue biotech projects. Extract from the Company's half year report to 31 December 2010. References to "our" means Actinogen in the extract noted below.

"The company has undergone some changes to its laboratory staff by moving staff to part time positions it and now has 6 qualified practitioners working in the company's laboratory in the Pathwest facility located within the Queen Elizabeth II Medical Centre in Nedlands Western Australia. During the half year ended 31 December 2010 the laboratory work saw a number of interesting results for Actinogen Ltd. The company maintained its primary focus on the isolation and testing of Actinomycetes from Western Australian soils with 529 isolates added to the collection with now amounts to 4251 isolates. Primary testing continues against MRSA, VRE, Candida species, Pseudomonas aeruginosa and Clostridium difficile. 453 isolates were also tested for cytotoxicity against four human cell lines in our search for novel anti-cancer agents.

Our primary testing to locate cellulase producers has identified 1185 isolates that appear to be 'good' producers. After secondary testing of 17 'good' cellulase producing isolates we now have 7 that can begin to break down brown paper strips after 14 days incubation at 26°C. This is a very good beginning to our research into biodegradable paper bags. The dried extract from the supernatant from ACN1034 with the filter sterilised supernatant and the anacardic acid from Calbiochem (2-hydroxy-6-pentadecyl-benzoic acid, 6- pentadecyl salicylic acid) were confirmed by the ChemCentre, Resources and Chemistry Precinct, South Wing, Building 500 South Entrance Drive (off Manning Road), Curtin University Bentley WA 6102 as 2-hydroxy-6-pentadecyl-benzoic acid or anacardic acid. The optimal batch culture conditions of ACN1034 to produce the maximum amount of anacardic acid were replicated to publishable standard and the manuscript is now in progress.

The conditions optimised to this standard were temperature, growth time at 26°C, carbon source, percentage starch required and optimal pH for culture. There are now 22 isolates that have activity against C. difficile. Secondary testing of theses isolates included testing their activity against a variety of bacteria that form part of the normal gut flora. 19 isolates were tested for activity against 4 species of lactobacilli and 5 different Escherichia coli strains. 13 isolates had little or no activity against the normal flora strains and so are suitable for further testing against spores of C. difficile for sporicidal activity. Growth of 50 Actinomycetes in SAB broth in glass and plastic bottles with mycelium colour, spore colour, time taken to spore, pigment production and amount of growth recorded for each isolate. Differences between growth in glass and plastic were noted for most isolates in these growth parameters. HPLC was also done on the supernatants from a number of isolates and again there were differences in the HPLC chromatograms seen from the same isolate grown in plastic or glass with generally more peaks seen from growth in plastic. Growth in various types of plastic appears to change the growth parameters of Actinomycetes and they produce different metabolites/antibiotics than when grown in glass. This form of culture could give another means of mining the present isolate collection for the production of unusual metabolite/antibiotic production in Actinomycetes" (End of Quote).

Post 31 December 2010, the Company completed the rights issue to shareholders that had commenced prior to 31 December 2010. A further $240,250 was received to 9 March 2011 taking the total from the rights issue to $765,060 (9,563,253 shares of which 6,561,253 had been issued prior to 31 December 2010).

3.2 Celgenics

Celgenics is also in a similar field to Actinogen in that it is researching in the field of Actinomycetes. The plan is to isolate certain properties from Actinomycetes to be used in the treatment of certain types of cancer and in particular specifically kill off cancer stem cells. Cygenics has conducted research from late 2009 to date on this area. To date there has been no major breakthrough but testing is on-going. We have not undertaken any due diligence on Celgenics or its technological interests. The overall current aims of Celgenics can be summarized as:

"The development of R&D programmes directed to discover bacterial products that can specifically kill human-CSC and/or direct specific differentiation pathways of human stem cells"

Extract from the Celgenics draft prospectus of April 2010.

History and Background

"Historically it has been established that the mammalian embryo develops through the coordinated activation and replication of a series of cells. The ordered development is governed by a group of so called stem cells, under the control of an array of signalling factors. It was first suggested, in the late nineteen seventies that a hierarchy of cells existed within a developing cancer. Each of these cell types may have its own distinct developmental pathways and metabolism. It is currently being suggested that there exists a basic cell type within cancers that shares several characteristics with the normal embryonic stem cells. This cell has been termed the Cancer Stem Cell (CSC). It is further suggested that it is this cell type that can survive current treatments and may give rise to secondary cancers.

What are stem cells?

An ovum does not divide until fertilized by a sperm, when it becomes known as a zygote. Within the developing zygote there are a series of embryonic stem cells. These stem cells can differentiate into other stem cells and/or differentiate into other cell types, including somatic cells that are found throughout the body.
There are recognized subtypes such as:

Totipotent stem cells derived directly from the zygote
Multipotent stem cells
Pluripotent stem cells
Embryonic stem cells

During the first six days of replication of the zygote, during which the blastocyst is formed, there develops a small group of cells known as the inner cell mass. It is from the inner cell mass that the embryonic stem cells develop along with embryogenesis. Embryonic stem cells migrate to developing organ sites and differentiate into organ specific somatic cells as well as developing into adult stem cells where they remain and replenish organs for the life span of the animal. The stem cells are pluripotent in that through a series of directed differentiations they develop to all cell types of the foetus and the body, except the placenta, and they replenish the organs throughout the life of the animal.

Characterization of stem cells

The stem cell is characterized by:-

(i) Morphology through light microscopy and culture characteristics in vitro.
(ii) Immunological cell surface markers
(iii) Genetic expression patterns
(iv) Biological/biochemical characteristics.

It is considered that the embryonic stem cell expresses the widest array of these characteristics and these become more variable and restricted as the stem cells differentiate along their maturation pathways.

What are aberrant stem cells?

The longer stem cells are cultured in vitro, the more likely they are to generate cells that can develop as teratomas or cancers in suitable animal models. These cells still retain stem cell marker characteristics. Recently it has also been shown in both man and animals that naturally developing tumours contain a small population of cancer cells with stem cell marker properties. These cells also develop as tumours in animal models. These have been named Cancer Stem Cells (CSC). The CSC has also been shown to be resistant to current chemotherapeutic agents. Therefore, there is a need to discover new chemotherapeutics that can specifically kill the CSC.

In this new and exciting field of stem cell biology we face the challenges of understanding the pathways to differentiation of the stem cell to the final somatic organ specific cell and the mechanisms by which these occur. Because the differentiation pathways are numerous for the various organs then different controlling mechanisms are likely to be present. It would provide an enormous advantage to be able to specifically control the differentiation pathways to drive differentiation of stem cells to specific organ types as required. This is of special importance as so called replacement therapies are already being considered and developed whereby stem cells are being used to both regenerate damaged organs as well as replace them.
Furthermore, there also exists the challenge to discover agents capable of specifically killing the CSC.

Immunologically destructive treatments of residual Cancer Stem Cells (CSC) remaining after conventional chemotherapy.

Recently there has been an increase in reports of clinical trials, in the scientific literature, for the use of both vaccination and monoclonal antibody directed cytotoxic immunological cancer treatments.

Accepting that one of the current causes of chemotherapy relapse is the activation of a residual population of cancer cells, that are resistant to conventional chemotherapeutics, new treatments need to be directed against these cells. These cells have been termed Cancer Stem Cells (CSC) and express cell markers related to embryonic stem cell markers. There is a small series of embryonic stem cell markers that appear to be expressed by these cells, one of which is known as CD30. The expression of this cell marker is repressed in the majority of normal healthy cells but is expressed in some activated but not in “resting” cells of the immune system.

It has been suggested that the CD30 marker might be used in specifically directed treatments to kill the CSC remaining after conventional chemotherapy, thus providing a further weapon in the field of cancer therapy.

Celgenics currently has two cell lines that express the CD30 ligand and has the methodology to detect this marker. It also has procedures in place to obtain Human Ethics approval to obtain human cancer material with the view of isolating CSC expressing the CD 30. Initially the cancers used will be brain cancers.

The Company intends to purify the CD 30 marker from these sources and use this to develop cytotoxic monoclonal antibodies that can kill CSC expressing this ligand. The R&D will begin using tissue culture systems, move to animal systems and finally progress to human clinical trials.

What are Actinomycetes?

Actinomycetes are a group of gram-positive bacteria that are commonly found in the environment, especially soil and water. These micro-organisms produce a wide range of bioactive molecules especially bacterial antibiotics, anti fungal agents and anti cancer agents. They also produce bioactive molecules and isolates that are important in agriculture, industry, mining, and bioremediation. Actinomycetes have the ability to adapt their metabolism to utilize unusual substrates which explains, in part, the production of the wide array of bioactivity that is characteristic of these bacteria.
In the early 1980s one of the Company's Directors, Associate Professor David Keast, undertook a large isolation programme for actinomycetes from Western Australian soils. This study was initiated because of the diversity of the Australian landmass geographically, climatically and areas of unique dry sclerophyll vegetation. The results of the study were published in a series of articles in international scientific journals. The study provided crucial ecological information that now allows the discovery of a wide range of actinomycetes from the Western Australian environment.

As a group of micro-organisms they are scientifically interesting in that they can exist in several phases and move from one to another of these phases as conditions change. They can exist, at the one time, as biofilms, individual cells, mycelia, and spores and therefore must have a series of communication molecules to control not only their growth phases but also their bioactivity patterns. As a result of this biodiversity there may well exist communication molecules that not only direct differentiation within the actinomycetes but may also be able to function in other systems and provide differentiation molecules that can direct differentiation in the stem cell arena.

Thus the actinomycetes require investigation for the possible production of a new class of anti cancer agents that are specifically directed against the CSC and for the production of molecules that can specifically direct the differentiation of stem cells to desired somatic cells.

The Company's (Celgenics) projects

The company's projects can be considered to be directed into three discrete streams.

{A} The Actinomycete programme

The Company has commenced an actinomycete isolation programme in which it is building up and storing at -80^0C, a "library" of actinomycetes from a range of Western Australian soils. The isolation programme of actinomycetes is made possible by

selection techniques previously developed and further modified by the Company. The isolates are classified, as required, by an in house classification scheme based on mainly morphological and cultural characteristics. The isolates are catalogued and stored on an electronic data base. The site of origin of isolates is also recorded to allow further sampling to be carried out if at a later date interesting bioactive molecules are found to be produced by a particular isolate. The Company has access to a series of support expertise that allows for an isolate to be further classified by DNA sequencing techniques and biochemical substrate utilization patterns.
Actinomycetes are grown in liquid cultures and a sample of the sterile supernates are added to our CSC screens and will later be added to the Stem cell differentiation screens. Isolates that can kill the CSC or activate differentiation pathways in the screens are then subjected to High Pressure Liquid Chromatography (HPLC) and associated UV spectra analyses to determine the presence or absence of previously known bioactive molecules. The isolates can be compared against two reference libraries; one contains almost 1000 known structures such as antibiotics and anti cancer agents and other bioactive molecules while the second library, which is smaller, contains the spectra of currently used chemotherapeutic agents. This second library is being developed by the Company and is being added to continuously. If the isolates are found to contain bioactive molecules that have previously been discovered, no further research is carried out. If the HPLC data suggest that an unknown substance is present then further analyses are performed. Active preparations are then subjected to Fast Performance Liquid Chromatography (FPLC) to locate active areas within the chromatographic profiles in order that steps can be taken to purify and chemically classify the active components.

{B} The Cancer Stem Cell programme

The Company has sent two of its staff to an intensive certificated course on the theory and cultivation of embryonic stem cells, at the Australian Stem Cell Centre at Monash University, Victoria. The course incorporated hands on methodology for the specialised field of embryonic stem cell culture and maintenance. The Company has commenced research into the isolation and culture of the human CSC. The Company receives freshly excised human cancer material from patients entering into the Sir Charles Gardner Hospital at the QE II Medical Centre, Shenton Park, Perth. WA. This material is transferred to research laboratories at the department of Clinical and Diagnostic Microbiology at the Pathwest Laboratories on site. The samples are rendered into single cells and established in tissue culture media. Once the cells have settled to monolayers they are screened using flow cytometry for the presence of CSC expressing embryonic specific cell surface markers. The CSC are purified using either flow cytometric techniques or manual selection processes. A second set of non-CSC cells are obtained also that does not express CSC markers.

Tumour cells, both CSC and non-CSC in the longer term, will be obtained from a series of cancers of different types and of female and male origins, with the aim to expand the cell numbers, to establish long-term cells lines for culture and to store cells down in liquid nitrogen for use in the screening tests with the actinomycete culture preparations.

The Company has developed a 96 well mini-culture system whereby a small number of the CSC or non-CSC are established and to which various concentrations of the culture media in which actinomycetes have been grown are added. The cultures are monitored continuously to test for the toxicity of actinomycete preparations. Actinomycete preparations shown to be toxic are then analysed by both HPLC and FPLC techniques with their UV spectra compared to the Company's two reference 'libraries' in order to

determine whether the toxic preparations have been found previously or not. Any preparations that suggest that they might contain previously unknown bioactive molecules will then be purified and structural analysis performed to finally establish whether they are new.

The Company then intends to actively seek specific cooperative programmes to investigate these compounds further. These compounds and their source actinomycetes will then be offered for sale or the Company will seek Joint Venture programmes with other companies for the proving and seeking of commercial applications.

{C} The development of cytotoxic monoclonal antibodies directed against specific CSC antigens, in particular CD30.

Accepting that one of the current causes of chemotherapy relapse is the activation of a residual population of cancer cells (CSC), that are resistant to conventional chemotherapeutics, new treatments need to be directed against these cells. There is a small series of embryonic stem cell markers that appear to be expressed by these cells, one of which is known as CD30. It has been suggested that the CD30 marker might be used in specifically directed treatments to kill the CSC remaining after conventional chemotherapy, thus providing a further weapon in the field of cancer therapy. Recently the first published results have indicated that this type of approach to cancer therapy is possible.

Celgenics currently has two cell lines that express the CD30 ligand and has the methodology to detect this marker. It also has procedures in place to obtain Human Ethics approval to obtain human cancer material with the view of isolating CSC expressing the CD 30. Initially the cancers used will be brain cancers.

The Company intends to purify the CD 30 marker from these sources and use this to develop cytotoxic monoclonal antibodies that can kill CSC expressing this ligand. The R&D will begin using tissue culture systems, move to animal systems and finally progress to human clinical trials.

{D} The stem cell differentiation programme

The Company wishes to expand its R&D programme to locate actinomycete bioactive molecules that can direct the differentiation of the embryonic stem cell to specific pathways that will lead to organ specific somatic cells.

The Company has access to human embryonic stem cell [HESC] lines through the Australian Stem Cell Centre at Monash University, Victoria. Following an intensive training course on the theory and maintenance of HESC lines it wishes to establish these and maintain them in its own R&D laboratories. The Company has developed a 96 well mini-culture system whereby a small number of cells are established and to which various concentrations of the culture media in which actinomycetes have been grown can be added. This system will need to be modified to accept specific requirements of HESC in culture. Most importantly will be detailed development of the mini-culture system to allow the HESC to establish on an inert matrix, such as matrigel. The cultures will be monitored continuously to test for differentiation properties of actinomycete preparations. Actinomycete preparations shown to induce differentiation will then be analysed by both HPLC and FPLC techniques and their UV spectra will be used to develop the Company's library of bioactive molecules that can direct HESC differentiation. The preparations will also be compared to the Company's two reference 'libraries' in order to determine whether the active preparations have

been found previously or not. The bioactive molecules that appear to cause differentiation of the HESC will then be further tested for their ability to specifically direct the differentiation process to particular somatic cell types. Any preparations that suggest that they might contain previously unknown bioactive molecules that can induce HESC differentiation will then be purified and structural analysis performed to finally establish whether they are new or not.
The Company then intends to actively seek specific cooperative programmes to investigate these compounds further. These compounds and their source actinomycetes will then be offered for sale or the Company will seek Joint Venture programmes with other companies for the proving and seeking of commercial applications.

Further Developments

Higher plants have been shown to contain at least two types of stem cells. Research into these stem cells is being developed rapidly and is leading to the development of new products directly from plants and products for human application. An example for the human application is illustrated by a commercially available apple stem cell therapy that claims to stimulate human stem cells and helps prevent hair follicle aging while protecting against UV induced death of the follicles.

This is a most exciting field that is in its infancy and has enormous potential for the discovery and development of new products both from the agricultural industry and human application viewpoint".

End of extract from a draft prospectus of Celgenics of April 2010.

4. Future Directions of Actinogen

4.1 We have been advised by the directors and management of Actinogen that:

- There are no proposals currently contemplated whereby Actinogen will acquire any further property or assets from the Associated Vendors (however Actinogen will issue Consideration Shares to the Associated Vendors as outlined in resolution 1 and above to acquire 100% of the share capital of Celgenics) or where Actinogen would transfer any of its property or assets to the Associated Vendors;
- The composition of the Board will not change in the immediate future;
- As a result of acquiring Celgenics (if approved by shareholders), the Company may consider raising further working capital in 2011 and thereafter. Preliminary cash flows indicate that even without the acquisition of all of the shares in Celgenics, the Company will have depleted all funds by the end of 2011 and thus a capital raising will need to be undertaken;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company will endeavour to enhance the value of its proposed shareholding interest in Celgenics and enhance its existing biotechnology interests.

5. Basis of Valuation of Actinogen Shares

5.1 Shares

5.1.1 In considering the proposals outlined in resolution 1, we have sought to determine if the consideration payable by Actinogen to the Associated Vendors is fair and reasonable to the existing non-associated shareholders of Actinogen.

5.1.2 The offer pursuant to resolution 1 would be fair to the existing non-associated shareholders if the value of the assets (100% investment in Celgenics) being acquired by Actinogen is greater than the implicit value of the Consideration Shares being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Actinogen ordinary shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an Actinogen ordinary share are:

- Capitalise maintainable earnings/discounted cash flow;
- Takeover bid—the price at which an alternative acquirer might be willing to offer;
- Adjusted net backing and windup values; and
- The market price of Actinogen shares.

5.2 Capitalise maintainable earnings and discounted cash flows.

5.2.1 Owing to Actinogen's current operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from an existing current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report. The Company to 30 June 2011 has estimated trading losses of over $8,682,000.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Actinogen could purchase all or part of the existing shares; however, no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Actinogen have formed the view (that we concur with) that there is unlikely to be any takeover bids made for Actinogen in the immediate future. It is noted that as at 31 July 2011, the interests of the Associated Vendors (combined) is an approximate 37.79% shareholder in Actinogen of which the Zohar Group has an approximate 15.83% interest and Pervan has an approximate 14.42% interest.

5.4 Net Asset Backing

5.4.1 Set out below is a pro-forma unaudited statement of financial position of Actinogen as at 30 June 2011 as supplied by the Company's management. It ignores any further losses incurred by Actinogen post 30 June 2011. In addition, we disclose a pro-forma statement of financial position that assumes the acquisition of all of the shares in Celgenics at a cost of $961,000 being the issue of 31,000,003 Consideration Shares at a deemed 3.1 cents each and after allowing for indirect acquisition costs of $15,000. It is assumed that the excess of cost of acquisition over the fair value of the book assets of Celgenics will be expensed.

	Actinogen Unaudited 30 June 2011 (as adjusted) $000's	Actinogen Consolidated Pro-forma Unaudited 30 June 2011 (as adjusted) $000's	Celgenics Unaudited 30 June 2011 $000's
Current Assets			
Cash and cash equivalents	861	846	-
Receivables and prepayments	46	48	2
	907	894	2
Non Current Assets			
Available for sale financial assets	114	114	-
Intangibles	16	16	-
Plant and equipment	144	158	14
	274	288	14
Total Assets	1,181	1,182	16
Current Liabilities			
Trade and other payables	94	105	11
Provisions	3	3	-
Total Current Liabilities	97	108	11
Net Assets	1,084	1,074	5
Equity			
Issued capital	4,920	5,881	69
Reserves	4,847	4,847	-
Accumulated losses	(8,683)	(9,654)	(64)
Net Equity	1,084	1,074	5

5.4.2 Based on the book values as at 30 June 2011, this equates to a value per fully paid ordinary share of approximately 2.19 cents (ignoring the value, if any, of non-booked tax benefits and losses that may have been incurred post 30 June 2011) and assuming 49,464,426 fully paid ordinary shares are on issue.

5.4.3 No detailed review was made by us on the assets and liabilities disclosed in the unaudited adjusted balance sheet as at 30 June 2011. We have been assured by the management of Actinogen that they believe the carrying value of all current and non current assets and liabilities at 30 June 2011 are fair and not materially misstated.

5.4.4 We also note it is not the present intention of the directors of Actinogen to liquidate the Company and therefore any theoretical value based on wind-up value or even net book value, is just that, theoretical. The shareholders, existing and future, must acquire shares in Actinogen based on the market perceptions of what the market considers an Actinogen share to be worth. The market has either generally valued the vast majority of junior biotechnology companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market (albeit at low volumes) for Actinogen shares and the market is kept fully informed of the activities of the Company. Furthermore, for accounting purposes under Australian Equivalents to International Financial Reporting Standards ("IFRS"), the consideration for the issue of shares in Actinogen to acquire Celgenics shares will be booked at the share price of a Actinogen share at the date of completion of the Transaction (presumed to be the date the Consideration Shares are

issued to the Associated Vendors). Accordingly, for the reasons outlined above, we believe that for the purpose of this report, it is not appropriate to use any technical value of an Actinogen share in assessing whether the proposal to acquire all of the shares in Celgenics is fair and reasonable. However, we have compared the value of the Share Consideration based on a 2.19 cents asset backing as a "reasonableness test" against our preferred methodology. We believe a market-based approach is a more suitable basis of assessing whether the proposed Sales are fair and/or reasonable.

5.5 Market Price of Actinogen fully paid shares

6.5.1 We set out below a summary of the share prices of Actinogen since 1 November 2010 to 31 July 2011.

	High Cents	Low Cents	Last Sale Cents	Volume Trade 000's
November 2010	10.0	8.0	9.5	310
December 2010	10.0	6.0	6.0	781
January 2011	6.0	5.2	6.0	709
February 2011	8.5	6.5	8.0	147
March 2011	6.7	4.8	4.8	130
April 2011	6.9	5.0	6.0	73
May 2011	6.2	4.6	4.6	178
June 2011	4.0	3.0	3.1	468
August 2011	3.1	3.1	3.1	10

5.5.1 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. Based on 30 June 2011 book values of Actinogen's assets, Actinogen has net equity of approximately $1,084,000 that results in an asset backing of around 2.19 cents and if 2.19 cents was used, the value of the Consideration Shares would approximate $678,900. In the case of Actinogen, the monthly volume of trades on the ASX is not high but arguably large enough (considering that a large parcel of shares is tied up in the hands of the Zohar Group, Pervan and Keast) to argue that an orderly market exists for Actinogen's shares. The "market" arguably is fully informed of its activities. It is our opinion that it is appropriate to use a range of recent trading market values as fair values to attribute to the Consideration Shares to be issued to the Associated Vendors. It is noted that in December 2010, the Company issued around 9.563 million shares as a result of a rights issue announced in October 2010 and the issue price was 8 cents. Since the rights issue, the share price has drifted down to trade in the high 4's (cents) and up to 6 cents to early May 2011 but have fallen further in price to 31 July 2011. The last sale on 18 July 2011 was 3.1 cents (no trades since 18 July 2011).

In effect, the shares have a fair market value of between 3.1 cent and 8 cents (the last rights issue was undertaken at 8 cents per share that was completed in March 2011) with a definite leaning by us towards the lower figure.

5.5.2 The future value of a Actinogen ordinary share after the acquisition of Celgenics will depend on, inter-alia:

- The future commercialisation of the Company's biotech interests and the biotech interests of Celgenics;
- The state of Australian and overseas stock markets;
- Membership, control and quality of the Board and management;

- The cash position of the Company;
- General economic conditions; and
- Liquidity of shares in the Company.

6. Basis of Valuation of Celgenics

6.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. To estimate the fair market value of the shares in Celgenics, we have considered valuation methodologies recommended by ASIC Regulatory Guideline 111 regarding valuation reports of independent experts and common market practice. These are discussed below.

6.2 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings;
- Analysis of a company's recent share trading history; and
- Industry specific methods.

The capitalisation of maintainable earnings methods estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where the company's earnings are relatively stable. The most recent share trading history provides evidence on the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. Industry-specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence on market value of a company, since they may not account for company-specific factors.

6.3 Discounted cash flow method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection or forecast of future cash flows can be made with a reasonable degree of confidence. The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

6.4 Asset-based methods

Asset-based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset-based methods include:

- Orderly realisation of assets method;
- Liquidation of assets method; and
- Net asset on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is

wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter timeframe. Since winding up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis, estimates the market values of the net assets of the company but does not take account of realisation costs.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets. Asset-based methods are appropriate when companies are not profitable or a significant proportion of a company's assets are liquid.

6.5 Selection of Valuation Methodologies

All of the valuation methodologies considered above have significant limitations or restrictions in their application to Celgenics.

Capitalisation of maintainable earnings is not appropriate because Celgenics is not presently profitable. Recent share trading is not applicable as it is an unlisted public company owned by the Associated Vendors. The discounted cash flow method has not been applied because no reliable prospective financial information is available (refer below). An asset-based method is limited by the fact that Celgenics primary asset has an interest in biotechnology that have yet to be commercially exploited.

6.6 In this section we consider the valuation of Celgenics. We have considered the valuation of Celgenics in assessing whether or not the proposal outlined in resolution 1 is fair and reasonable for Actinogen's non-associated shareholders. In forming our opinion on the value of Celgenics we have:

- Considered the stage of development of Celgenics and the prospective financial information available;
- Considered the appropriateness of the valuation methodologies available; and
- Considered the ability of Celgenics to continue as a going concern without funding.

6.7 Valuation of Celgenics

As discussed, the capitalisation of maintainable earnings, discounted cash flow and asset-based methodologies have limitations in their application to Celgenics. It is noted that there are no internal valuations prepared and no formal adoption of cash flow and profit and loss forecasts.

6.8 Summary of valuation methodology and conclusion

We are unable to conclude upon a meaningful valuation range for Celgenics due to the lack of readily available and reliable financial projections and information.

6.9 We have relied on Actinogen undertaking the necessary due diligence to satisfy themselves on:

- Ownership of Celgenics;
- No unrecorded liabilities in the books of Celgenics;
- Current legal directors of Celgenics;
- Ownership and interest of Celgenics biotechnical projects; and
- Other factors that may affect the ultimate ownership and value of Celgenics.

6.10 We have been informed that all necessary due diligence has been completed to the best ability of the Actinogen directors. However, no guarantee can be given as to the long-term value of Celgenics (and Actinogen). This will depend on many factors, including inter-alia:

- Future commercial success or otherwise of Celgenics biotechnical projects (and Actinogen's biotechnical projects)
- Foreign and Australian stock exchange markets;
- Ability to raise capital to develop the businesses and commercialise the biotechnical projects;
- Relationships with future customers, and
- Quality of the Board and management.

7. Conclusion as to Fairness

7.1 The proposal pursuant to resolution 1 is believed fair to Actinogen's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the shares in Celgenics (100%) to be acquired.

7.2 Owing to the nature of the business of Actinogen and Celgenics, valuations depend on the value placed on the technology interests of the companies. The valuation of technology interests and valuing future profitability and cash flows is extremely subjective because it involves assumptions regarding future events that are not capable of independent substantiation.

7.3 We have been unable to determine a fair value for Celgenics. In arriving at our view that we are unable to form an opinion on the value of Celgenics, we have, inter-alia, referred to the following factors:

- The relative newness of the biotech technologies;
- The ability to produce positive cash flow and profits over a period of time is still uncertain;
- Celgenics needs to obtain sufficient working capital to meet its planned objectives;
- The lack of cash flow models;
- The risks associated with commercialisation.

7.4 We have concluded that we are unable to ascribe a fair value to Celgenics shares and therefore cannot form an opinion as to whether the proposal under resolution 1 is fair. In the absence of a determination of fair value, **we conclude that the proposal pursuant to resolution 1 is not fair.**

8. Reasonableness of the Proposals under Resolution 1

8.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposal pursuant to resolution 1.

Advantages

8.2 There may be upside potential to acquiring 100% of Celgenics and there is a possibility that Celgenics biotech projects may be commercialised in the future and may become profitable and cash flow positive. However, there are always risks in biotechnical companies and companies involved in research and development.

8.3 Since the Associated Vendors are receiving 30,000,003 of the 31,000,003 Consideration Shares, there is every incentive to ensure Celgenics (and Actinogen) is successful.

8.4 Actinogen's current primary focus is on the isolation and testing of Actinomycetes and commercialising products from such technology. Research and development companies need to have a range of projects and by acquiring all of the shares in Celgenics the Company is providing itself with an opportunity to increase its knowledge in the field of Actinomycetes as Celgenics is also working in this area with a focus on anti cancer commercialisation.

Disadvantages

8.5 There is a risk that Celgenics will not be commercially successful and that, in the event that losses are incurred by Celgenics, the share price of an ordinary share in Actinogen may fall. Because Actinogen will need to lend funds to Celgenics in the short/medium term, any funds lent may not be fully recoverable.

8.6 The acquisition of Celgenics will result in the issue of shares to the Associated Vendors which will have a dilutionary effect on the current holdings of shareholders of Actinogen. Refer section 2.4 of this report.

Other Factors and Information

8.7 There will be a significant non-associated shareholding in Actinogen after the passing of resolution 1. In addition, shareholders are not required to sell or dispose of their shares but are given the opportunity to retain a shareholding in a company (Actinogen) that is obtaining an interest in Celgenics that may have upside potential.

8.8 In the accounts of Actinogen, the cost of the 100% interest in Celgenics may be disclosed as low as $930,000 and up to $1,922,000 based on share prices between May 2011 and July 2011. The consolidated net asset backing per share (including intangibles) would be approximately 1.33 cents. There would be 80,464,429 shares on issue before the exercise of any further share options. Ignoring the intangibles the adjusted net asset backing per share would be approximately 1.31 cents (and probably less due to subsequent losses expected to be incurred post 30 June 2011). We cannot ascribe a fair value to the intangible interests of Celgenics. It may be that in time the investment in Celgenics may need to be written down in the event of non commercialisation of Celgenics biotechnical projects.

8.9 It is expected that at least 30,000,003 of the Consideration Shares will be escrowed (treated as restricted securities) for a 12 month period.

8.10 It is the view of the Board of Actinogen that the investment in Celgenics investment is in the best interests of all shareholders.

9. Conclusion as to Reasonableness

9.1 After taking into account the factors referred to in 8 above and elsewhere in this report, we are of the opinion that the proposal as outlined in resolution 1 may, on balance, be **considered reasonable** to the non-associated shareholders of Celgenics. However, it is noted that the Company will need to undertake a further equity raising in 2011 in order to have sufficient working capital to fund on-going administration, corporate and research and development costs (the Company is not in the development phase).

10. Sources of Information

10.1 In making our assessment as to whether the proposal pursuant to resolution 1 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and Celgenics that is relevant to the current circumstances. We have also held discussions with the management of Actinogen about the present and future operations of Actinogen and Celgenics. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and consultants of Actinogen and Celgenics.

10.2 Information we have received includes, but is not limited to:

- Draft Notices of General Meeting of Shareholders of Actinogen and draft Explanatory Memorandum to Shareholders prepared in March to 31 July 2011;
- Discussions and correspondence with management, directors or consultants of Actinogen and Celgenics;
- Shareholding details of Actinogen and Celgenics as at 31 July 2011;
- Unaudited pro-forma statement of financial position of Actinogen as at 31 December 2010, 31 March 2011 and 30 June 2011 and a further pro-forma statement of financial position to reflect the acquisition of Celgenics;
- Details of historical market trading of Actinogen ordinary fully paid shares recorded by ASX to 31 July 2011;
- Report to the Board of Directors of Celgenics of February 2011 by David Keast and Michelle Fisher;
- Unaudited pro-forma statement of financial position of Celgenics as at 30 June 2011;
- Letter to Actinogen on Celgenics research activities dated 18 April 2011 prepared by Found & Associates; and
- Announcements made by Actinogen to ASX from 1 January 2010 to 31 July 2011.

10.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES

J P Van Dieren – FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 1 August 2011, relating to acquiring 100% of the issued capital of Celgenics as outlined in paragraph 1.2 of the report and resolution 1 in the Notice of Meeting to Shareholders to be distributed to shareholders in August 2011.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Actinogen, Celgenics and the Associated Vendors other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at $10,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Actinogen and Celgenics. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Audit and Consulting Pty Ltd. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the directors of Actinogen in order to assist non associated shareholders to assess the merits of the proposals to acquire 100% of the issued capital of Celgenics as outlined in resolution 1 and the Explanatory Memorandum to which this report relates. This report has been prepared for the benefit of Actinogen's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Actinogen, its assets and Celgenics and its assets. Stantons International Securities does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of Actinogen and Celgenics. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, and Stantons International Audit and Consulting Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Actinogen and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Actinogen has agreed:

a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which Actinogen may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Actinogen; and

(b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from Actinogen or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Actinogen or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Actinogen directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

Stantons International Pty Ltd trading as
Stantons International Securities
ABN 41 103 088 697 AFS Licence No. 319600

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www.stantons.com.au

FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 1 August 2011

1. Stantons International Securities ACN 103 O88 697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd ("SIAC"). SIAC charges a management fee to SIS.

From time to time, SIS, Stantons International Pty Ltd and SIAC and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

Annexure B

Independent Experts Report
Found & Associates

FOUND & ASSOCIATES

The Directors,
Actinogen Ltd,
Level 7, 231 Adelaide Terrace,
Perth, WA 6000.

August 3, 2011

Dear Sirs,

You have requested that Found and Associates provide an expert report to provide independent and additional information to shareholders of Actinogen Limited ("Actinogen") regarding the intellectual property owned by Celgenics Limited ("Celgenics") and the type of research that Celgenics conducts.

Found and Associates understands and has agreed that this report is to be included in an explanatory memorandum to be put at a general meeting of Actinogen.

Following the developments of research into the field of stem cells and the absolute importance of this group of cells in the development of the mammalian foetus an enormous amount of interest and research has been carried out. The accumulation of knowledge in this field of biology is now such that there is developing specialised fields exploring not only the normal mechanisms for foetal development but also the use of the stem cell in such areas as stem cell therapy and cancer. There is now scientific information indicating that a stem cell, known as the Cancer Stem Cell (CSC), can continue to exist after currently available cancer therapies. It may be that this cell is responsible for the development of secondary cancers at a later date. This cell is being shown, in many cases, to be resistant to currently available chemotherapeutic chemicals and that a new group of chemotherapeutic agents are required that can specifically kill the CSC. This group of chemicals may also include monoclonal antibodies specifically directed against CSC.

It is already known that during the course of embryonic development that a series of stem cells are under the control of a range of differentiation pathways triggered, coordinated and designated by, as yet not fully understood, signal molecules. These signal molecules either individually, or in combination with others, can specifically direct the stem cells to specific organ cell types. Because of this, the field of so called stem cell replacement therapy has developed. This field aims to produce the directional environment for therapeutic protocols to allow the differentiation of stem cells to replace damaged cells in organs and alleviate cell directed diseases such as Alzheimer's disease and dementia as well as replacement of damaged tissues following heart attacks, diabetes, etc.

Celgenics is geared mainly to search the natural environment for a group of bacteria known as the actinomycetes which are capable of producing a wide range of bioactive molecules directed against clinically important areas such as antibiotic resistance in bacteria, antifungal and anti-cancer agents. This group of bacteria also

produces agents of importance to agriculture and industry generally. Celgenics is already researching into the discovery, testing and development of bioactive molecules from the actinomycetes that can specifically kill the human Cancer Stem Cell (CSC).

I have been engaged by Actinogen to review the Celgenics's research. Celgenics has commenced an actinomycete isolation programme in which it is building up and storing at -80^{0}C, a "library" of actinomycetes from a range of Western Australian soils. The isolation programme of actinomycetes is made possible by selection techniques previously developed and further modified by Celgenics. The isolates are classified, as required, by an in house classification scheme based on mainly morphological and cultural characteristics. The isolates are catalogued and stored on an electronic data base. The site of origin of isolates is also recorded to allow further sampling to be carried out if at a later date interesting bioactive molecules are found to be produced by a particular isolate.

Celgenics has access to a series of support expertise that allows for an isolate to be further classified by DNA sequencing techniques and biochemical substrate utilization patterns.

Actinomycetes are grown in liquid cultures and a sample of the sterile supernates are added to Celgenics' CSC screens and will later be added to the Stem cell differentiation screens.

Isolates that can kill the CSC or activate differentiation pathways in the screens are then subjected to High Pressure Liquid Chromatography (HPLC) and associated UV spectra analyses to determine the presence or absence of previously known bioactive molecules. The isolates can be compared against two reference libraries; one contains almost 1000 known structures such as antibiotics and anti-cancer agents and other bioactive molecules while the second library, which is smaller, contains the spectra of currently used chemotherapeutic agents. This second library is being developed by Celgenics and is being added to continuously. If the isolates are found to contain bioactive molecules that have previously been discovered, no further research is carried out. If the HPLC data suggest that an unknown substance is present then further analyses are performed.

Active preparations are then subjected to Fast Performance Liquid Chromatography (FPLC) to locate active areas within the chromatographic profiles in order that steps can be taken to purify and chemically classify the active components.

(A) The Cancer Stem Cell programme

Celgenics has sent two of its staff to an intensive certificated course on the theory and cultivation of embryonic stem cells, at the Australian Stem Cell Centre at Monash University, Victoria. The course incorporated hands on methodology for the specialised field of embryonic stem cell culture and maintenance. Celgenics has commenced research into the isolation and culture of the human CSC and receives freshly excised human cancer material from patients entering into the Sir Charles Gardner Hospital at the QE II Medical Centre, Shenton Park, Perth. WA. This material is transferred to research laboratories at the department of Clinical and Diagnostic Microbiology at the Pathwest Laboratories on site. The samples are rendered into single cells and established in tissue culture media. Once the cells

have settled to monolayers they are screened using flow cytometry for the presence of CSC expressing embryonic specific cell surface markers. The CSC are purified using either flow cytometric techniques or manual selection processes. A second set of non-CSC cells are obtained also that does not express CSC markers.

Tumour cells, both CSC and non-CSC in the longer term, will be obtained from a series of cancers of different types and of female and male origins, with the aim to expand the cell numbers, to establish long-term cells lines for culture and to store cells down in liquid nitrogen for use in the screening tests with the actinomycete culture preparations.

Celgenics has developed a 96 well mini-culture system whereby a small number of the CSC or non-CSC are established and to which various concentrations of the culture media in which actinomycetes have been grown are added. The cultures are monitored continuously to test for the toxicity of actinomycete preparations.

Actinomycete preparations shown to be toxic are then analysed by both HPLC and FPLC techniques with their UV spectra compared to Celgenics' two reference 'libraries' in order to determine whether the toxic preparations have been found previously or not.

Any preparations that suggest that they might contain previously unknown bioactive molecules will then be purified and structural analysis performed to finally establish whether they are new.

Celgenics then intends to actively seek specific cooperative programmes to investigate these compounds further. These compounds and their source actinomycetes will then be offered for sale or Celgenics will seek Joint Venture programmes with other companies for the proving and seeking of commercial applications.

(B) The development of cytotoxic monoclonal antibodies directed against specific CSC antigens, in particular CD30.

Accepting that one of the current causes of chemotherapy relapse is the activation of a residual population of cancer cells (CSC), that are resistant to conventional chemotherapeutics, new treatments need to be directed against these cells. There is a small series of embryonic stem cell markers that appear to be expressed by these cells, one of which is known as CD30.

It has been suggested that the CD30 marker might be used in specifically directed treatments to kill the CSC remaining after conventional chemotherapy, thus providing a further weapon in the field of cancer therapy. Recently the first published results have indicated that this type of approach to cancer therapy is possible.

Celgenics currently has two cell lines that express the CD30 ligand and has the methodology to detect this marker. It also has procedures in place to obtain Human Ethics approval to obtain human cancer material with the view of isolating CSC expressing the CD 30. Initially the cancers used will be brain cancers.

Celgenics intends to purify the CD 30 marker from these sources and use this to develop cytotoxic monoclonal antibodies that can kill CSC expressing this ligand. The

R&D will begin using tissue culture systems, move to animal systems and finally progress to human clinical trials.

(C) The stem cell differentiation programme

Celgenics wishes to expand its R&D programme to locate actinomycete bioactive molecules that can direct the differentiation of the embryonic stem cell to specific pathways that will lead to organ specific somatic cells. Celgenics has access to human embryonic stem cell [HESC] lines through the Australian Stem Cell Centre at Monash University, Victoria. Following an intensive training course on the theory and maintenance of HESC lines it wishes to establish these and maintain them in its own R&D laboratories.

Celgenics has developed a 96 well mini-culture system whereby a small number of cells are established and to which various concentrations of the culture media in which actinomycetes have been grown can be added. This system will need to be modified to accept specific requirements of HESC in culture. Most importantly will be detailed development of the mini-culture system to allow the HESC to establish on an inert matrix, such as matrigel. The cultures will be monitored continuously to test for differentiation properties of actinomycete preparations.

Actinomycete preparations shown to induce differentiation will then be analysed by both HPLC and FPLC techniques and their UV spectra will be used to develop the Celgenics' library of bioactive molecules that can direct HESC differentiation. The preparations will also be compared to Celgenics' two reference 'libraries' in order to determine whether the active preparations have been found previously or not. The bioactive molecules that appear to cause differentiation of the HESC will then be further tested for their ability to specifically direct the differentiation process to particular somatic cell types.

Any preparations that suggest that they might contain previously unknown bioactive molecules that can induce HESC differentiation will then be purified and structural analysis performed to finally establish whether they are new or not.

Celgenics then intends to actively seek specific cooperative programmes to investigate these compounds further.

These compounds and their source actinomycetes will then be offered for sale or Celgenics will seek Joint Venture programmes with other companies for the proving and seeking of commercial applications.

(D) Further Developments

Higher plants have been shown to contain at least two types of stem cells. Research into these stem cells is being developed rapidly and is leading to the development of new products directly from plants and products for human application. An example for the human application is illustrated by a commercially available apple stem cell therapy that claims to stimulate human stem cells and helps prevent hair follicle aging while protecting against UV induced death of the follicles.

This is a most exciting field that is in its infancy and has enormous potential for the discovery and development of new products both from the agricultural industry and human application viewpoint.

This independent experts report has been prepared in accordance with rules and guidelines relating to Independent Expert Reports set by the Australian Securities Industry Commission (ASIC) and the Australian Securities Exchange (ASX).

This report has been prepared by John Found.

- John Found is the principal of Found & Associates and is a qualified chemist, a member of Royal Australian Chemical Institute and a chartered auditor for the Australian Pesticides and Veterinary Medicines Authority. John has 35 years' experience in the pharmaceutical industry specialising in commercialising new technology, pharmaceutical manufacture, pharmaceutical research and regulatory affairs. John is also the author of three patents which include a novel biocide based upon quorum sensing molecules, a novel pediculicide and the chromatographic purification of gamma tocotrienol.

Neither the writer nor any of his family, employees or associates has any interest either direct indirect or contingent in Celgenics or its assets. Actinogen and Celgenics have no commercial relationship with Found & Associates except for the commissioning of this report.

Found & Associates has no input into the intellectual property held or controlled by Celgenics. This report has been prepared strictly in the role of an independent consulting expert.

The formation of the opinion on the value of the intellectual property held or controlled by Celgenics is based upon information supplied by Celgenics. None of the information supplied by Celgenics was specified as being confidential or not for public release.

I have not reviewed financial or taxation aspects associated with Celgenics business and potential investors should obtain their own advice on these matters.

Fees for the completion of this report were charged at commercial rates and were not contingent upon the outcome of the report.

Celgenics' Projects

Celgenics is or will be involved in research in four categorised areas:

1. The detection and isolation of soil bacteria known as the actinomycetes which are found in the Western Australian environment.

2. The detection and isolation of bioactive compounds of soil isolates of actinomycetes that are found in the Western Australian environment which are specifically directed to the killing of human CSC.

3. The detection and isolation of bioactive compounds of soil isolates of actinomycetes that are found in the Western Australian environment that are specifically directed to the differentiation factors directed to human stem cells.

4. The development of monoclonal antibodies specifically directed against CSC antigens.

Patent application

It is Celgenics intention to protect isolates and their products that respond positively with the killing of human CSC. The isolates will be registered under the Budapest Treaty and provisional patenting and then any bioactive compounds produced by them will also be protected by further provisional patenting. These provisional patents will be developed to full patents as required. Celgenics has raised a provisional patent in the name of Celgenics Limited and David Zohar for a Culture Medium for Actinomycetes reactive to Cancer Stem Cells.

Commercialisation

I am advised by Celgenics that it is Celgenics' intention at the appropriate time to actively seek specific cooperative programs to investigate these compounds further. These compounds and their source actinomycetes will then be offered for sale or Celgenics will seek Joint Venture programs with other companies for the proving and seeking of commercial applications.

Celgenics' Facilities

Currently Celgenics has an agreement with the Pathwest Laboratories, QEII Medical Centre, Sir Charles Gardner Hospital, Shenton Park for the rental of laboratories on site. Celgenics also has the use of equipment and facilities at the Pathwest Laboratories site. Celgenics is responsible for ordering and supplying its bench requirements and any specialised equipment it needs. It also currently uses the facilities of Pathwest Laboratories for sequencing analyses for actinomycetes of interest and has an agreement with the West Australian Chem Centre for structural analyses of bioactive compounds if required. Celgenics has access to the Flow Cytometry Centre at the QEII Medical Centre and one of its staff is fully qualified to use these facilities for both the CSC and the Stem Cell programs.

Celgenics' Expertise

Celgenics' has a team of highly qualified commercial and scientific Directors. Celgenics' scientific Director, Dr David Keast BSc, MSc, PhD, MASM has a scientific background encompassing over 35 years during which time he has developed research programs in immunology, bacteriology and cancer research. He has published over 223 scientific papers, review articles, and book chapters. During the 1980's Dr Keast developed and ran a large actinomycete antibiotic screening and ecological program in conjunction with the multinational pharmaceutical company Merck Sharp and Dohme. At the time this represented the largest and most comprehensive study of actinomycetes which had been undertaken in Australia. The studies defined the potential for actinomycete studies in Western Australia and reported on the general ecology of this group of bacteria. The results were published in a series of scientific manuscripts that still form the basis for actinomycete isolation studies in Western Australia. Dr Keast is also currently an Executive Director of Actinogen, which is dedicated mainly to the search for new antibiotics and other bioactive compounds which includes traditional anti-cancer agents, in Western Australia actinomycetes. Dr Keast also has certificated qualifications from the

Australian Stem Cell Centre for attendance to an intensive course in the theory and application of stem cell research.

Risks

While it is acknowledged that research into the biology of the CSC and the embryonic stem cell is worldwide, the requirements for effective screening methods and the use of bacterial products to both kill the CSC and induce specific differentiation in the stem cell, are in their infancy. Celgenics has expertise in the isolation, purification and detection of bioactive compounds produced by actinomycetes that places it in the vanguard for the investigation of the potential of products of the actinomycetes to produce bioactive molecules that may be of commercial potential. While it must be accepted that there is no certainty of success in bioprospecting, valuable bioactive molecules might be found at any stage. The chemical diversity and structures of compounds produced by bacteria in nature is such that it is not unreasonable to expect the emergence of new and potent bioactive molecules at any time.

I am of the opinion that:

- The screening of the Australian actinomycete diversity is likely to yield rare and novel actinomycetes that can produce bioactive compounds active against the human CSC and induce differentiation in stem cells.

- The team of eminently qualified researchers and directors has the skills and experience to conduct the research.

Conclusion

I believe there is an exciting opportunity within Australia to make contributions to the discovery and exploitation of bioactive compounds from the actinomycetes. Actinomycetes will represent a new group of chemotherapeutic agents that can specifically be directed towards the human CSC as well as the discovery of bacterial products that can induce differentiation of stem cells.

Yours faithfully,

John Found

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ACTINOGEN LIMITED
ACN 086 778 476

Proxy Form

1 SHAREHOLDER ⇨

Name, address and daytime telephone number of shareholder of Actinogen Limited.

Name …….....

Address …….....

……...

Daytime phone no. .....

2 APPOINTS ⇨

Insert here the name of the person you wish to appoint as proxy; **shareholders cannot appoint themselves.**

Name of proxy – please print

.....

The Chair intends to vote for Resolution 1 for all undirected proxies.

If the Chair 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 as your proxy in respect of a resolution, please place a mark in the box.

☐

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chair 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 Chair 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 on the resolution.

3 SIGNATURE OF SHAREHOLDER(S) ⇨

All single or joint holders of shares must sign this form. ⇩

Signature | Signature | Signature

Date

or in the case of a company

The **COMMON SEAL** of the company is affixed in accordance with its constitution in the presence of:/Executed by the company by its duly authorised officers in accordance with sub-section 127(1) of the Corporations Act 2001:*****)

..... Signature of Director

..... Name of Director (Print)

..... Signature of Director/Secretary

..... Name of Director/Secretary (Print)

or signed by ..... under Power of Attorney on behalf of the company.

***** *delete as appropriate*

This proxy form must be signed by the shareholder and, in the case of joint shareholders, by each of the joint shareholders. In the case of a corporation, this proxy form must be executed in accordance with section 127 of the Corporations Act 2001. In the case of a Sole Director/Secretary company, please indicate "Sole Director". If this proxy form is signed under Power of Attorney the original Power of Attorney (or a copy certified as a true copy by statutory declaration) must be forwarded with the proxy form.

4 PROXY'S VOTING INSTRUCTIONS (OPTIONAL) ⇨

	FOR	AGAINST	ABSTAIN	PROXY'S DISCRETION
1. Acquisition of shares in Celgenics Limited				

If you wish to direct your proxy how to vote, place a mark on the appropriate box. If a mark is placed in a box, your total shareholding will be voted in that manner. You may, if you wish, split your voting direction by inserting the number of shares you wish to vote in the appropriate box. The direction will be invalid if a mark is made against more than one box for a particular item, or, if you have split your direction, if the total shareholding shown in "FOR", "AGAINST", "ABSTAIN" and "PROXY'S DISCRETION" boxes is more than your total shareholding on the share register. Each person who attends the meeting is entitled to one vote only on a show of hands. A person who holds proxies for more than one shareholder cannot vote on a show of hands if he or she holds proxies directing him or her to vote both for and against a resolution.

5 APPOINTMENT OF A SECOND PROXY (OPTIONAL)

If you want to appoint two proxies you may state here the percentage of your voting rights applicable to this proxy form. If you do not specify a particular percentage, each proxy is entitled to exercise 50% of your voting rights applicable to this proxy form.

%

A shareholder is entitled to appoint up to two persons (whether shareholders or not) to attend the meeting and vote as proxies. If you wish to appoint two proxies please either photocopy the proxy form or telephone Mr Suraj Sanghani on ++618 9225 4815 to obtain a second form. Both forms should be completed with the nominated percentage of your voting rights on each form. Please return the proxy forms together.

Important Information

Deadline for Receipt of proxies To be effective, a completed proxy form together with the power of attorney (if any) under which it is signed, must be received by the Company at its registered office or Company office, Level 7, 231 Adelaide Terrace, Perth not less than 48 hours before the appointed time of the General Meeting ie. no later than 10 am WST on 21 September 2011.

Destination of Completed Proxy Form Once the Proxy Form is completed and all details checked by you, the form is to be sent or delivered to the Company's office at Level 7, 231 Adelaide Terrace, Perth WA 6000 or sent by facsimile to the registered office on ++ 618 9225 6474.

For Further Information If you need any further information about this form or attendance at the Company's General Meeting, please contact Mr Suraj Sanghani, Company Secretary, on ++ 618 9225 4815.