

20 May 2011

Dear Shareholder

Your directors are pleased to provide shareholders with an update on the progress of the steps being undertaken in connection with the proposed scheme of arrangement (**Scheme**) referred to in my letter of 18 April 2011 and the announcement by Cellestis to the ASX on 4 April 2011.

The preparation of the Scheme Booklet is well advanced and a draft was lodged with the Australian Securities and Investment Commission (**ASIC**) for comment on 16 May 2011. As some of you may know, the Scheme Booklet is required to contain prescribed information as well as any other information that is considered to be material to the making of a decision by shareholders on whether or not to agree to the proposed Scheme.

The Scheme Booklet will also contain an independent expert's report prepared by Deloitte Corporate Finance Pty Limited (**Deloitte**). In that report Deloitte will express its opinion as to whether or not it considers the proposed Scheme to be fair and reasonable and in the best interests of shareholders.

Subject to the Court making orders convening the scheme meeting of Cellestis shareholders, it is anticipated that the Scheme Booklet will be sent to shareholders on or around 8 June 2011. The Scheme Booklet is an important document and should be read in its entirety by shareholders before deciding whether, and if so how, they wish to vote at the scheme meeting.

As things stand, subject to receiving all necessary approvals, it is expected that the timetable for the proposed Scheme will be as follows:

Early June 2011	First Court Hearing required by the Corporations Act
Early June 2011	Despatch Scheme Booklet to Cellestis shareholders
Early July 2011	Scheme Meeting to consider the proposed Scheme
Mid July 2011	Second Court Hearing required by the Corporations Act
Late July 2011	Implementation Date

We will update you if there is any material change to this proposed timeline or upon finalisation of the dates proposed above. This information will be provided through both an announcement to the ASX and via the Cellestis website ([www.cellestis.com](http://www.cellestis.com)).

It has come to our attention that some shareholders have received communications from a shareholder said to be representing a group known as the Cellestis Shareholder Action Group in which comments have been made about the proposed Scheme. In these circumstances, we

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consider it appropriate to inform shareholders that such communications have not been prepared, authorised or despatched by Cellestis. Furthermore, Cellestis has not been involved in any of the financial analysis, including any assumptions contained within that financial analysis, contained within information disseminated by any shareholder that may be representing the Cellestis Shareholder Action Group.

We again encourage all shareholders to read the Scheme Booklet in its entirety following its receipt.

Yours sincerely,



Ron Pitcher, AM  
Non-Executive Chairman  
Cellestis Limited

