



7 July 2010

Dear Shareholder

## **Cordlife Limited share offer: 1 for 3 Renounceable Rights Issue Shareholder's Supplement and Update**

As announced on 4 June 2010 and detailed in the Cordlife Limited ACN 108 051 529 (**Cordlife**) offer document dated 16 June 2010 (**Rights Offer Letter**), Cordlife is seeking to raise additional capital via a renounceable rights issue to current shareholders (**Rights Issue**). This letter is supplemental to the Rights Offer Letter.

Cordlife is seeking to raise approximately AUD\$11.62 million. Under its original terms, the Rights Issue was to be fully underwritten (subject to shareholder approval in general meeting (**EGM**)) by China Stem Cells (East) Company Limited (**CSC East**) pursuant to the terms of a written underwriting agreement (**Underwriting Agreement**).

### **Takeovers Panel Application**

As announced on 5 July 2010 Cordlife received a copy of an application by a shareholder (Victorworth Proprietary Limited (**Victorworth**)) to the Takeovers Panel (**Application**) alleging that there were deficiencies with the disclosure materials relating to the EGM (in particular the Independent Expert's Report) and that there was potential for control of the Company to pass under the underwriting of the Rights Issue by CSC East and that the Company had not taken all reasonable steps to minimise that potential control impact. These allegations had been raised in correspondence by Victorworth just prior to the Application being made and were strongly refuted by the Company (and the Independent Expert) at that time.

In Victorworth's Application it sought interim orders that Cordlife be prevented from holding the EGM, prevented from closing the Rights Issue and prevented from issuing any shares pursuant the Rights Issue. The final orders sought by Victorworth included an order to the effect that the Company had to engage another independent expert to prepare another report.

The Board of Cordlife does not believe any of these orders sought are in the best interests of the Cordlife shareholders. However, it has decided to avoid the significant cost, uncertainty and potential reduction in liquidity that may arise from Cordlife contesting the Application by Victorworth.

## Termination of the CSC East Underwriting Agreement

CSC East and the Cordlife Board have today agreed to terminate the Underwriting Agreement with immediate effect.

The Cordlife Board and CSC East vigorously deny the allegation that having CSC East underwrite the Rights Issue was designed to pass control of Cordlife to CSC East. The Underwriting Agreement was entered into simply to provide Cordlife with certainty of raising the funds at a time of volatile capital markets (particularly affecting a small cap company such as Cordlife) with a very low prospect of attracting an investment bank to commit to underwriting the Rights Issue. In any event, the underwriting was subject to approval by Cordlife's shareholders. The decision to terminate the Underwriting Agreement was made to avoid costs and delay arising from Victorworth's application and does not constitute any acceptance of Victorworth's allegations.

The EGM, which had been proposed to allow the shareholders the opportunity to vote upon CSC East acting as underwriter, is no longer needed and therefore will not proceed. The Board is grateful to CSC East for its agreement with, and continuing support of, Cordlife.

## Rights Issue continues

The Rights Issue will continue on a non-underwritten basis on the same terms as previously announced and on the **same timetable**, with Cordlife reserving the right to place any shortfall within 3 months after the close of the Rights Issue at a price no less than the price at which shares will be issued under the Rights Issue.

For completeness, the remaining steps of the approved timetable are repeated as follows:

Shareholder Meeting (to approve the Underwriter)	<b>Cancelled</b>
Rights trading ends	12 July 2010
Rights Issue Closing Date	19 July 2010
Company notifies ASX of under subscriptions	22 July 2010
Allotment of Rights Issue Shares and despatch of holding statements	26 July 2010
Trading of Rights Issue Shares expected to commence on ASX	27 July 2010

Details of your entitlement were contained in the personalised Application Form that was attached to your Rights Offer Letter and continue to apply. If you have already returned a valid Application Form and subscription monies, you need do nothing as that Application Form will remain as submitted. Instructions for completion of the Application Form remain as provided in the Application Form and your Rights Offer Letter.

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You should regard this letter as supplemental to the Rights Offer Letter and read it in conjunction with the Rights Offer Letter, subject to disregarding references to the Underwriter and the effect of the underwriting.

Funds raised pursuant to the Rights Issue will continue to be applied towards the same uses as described in the Rights Offer Letter. You might note that the Pitcher Partners Independent Expert's Report distributed for the EGM is not necessary for the purposes of conducting the Rights Issue (without CSC East as underwriter on the terms proposed in the Underwriting Agreement).

Applications must be received no later than 5.00pm on the Closing Date of 19 July 2010.

If you do not wish to take up any part of your entitlement under the Rights Issue, no action is required. Note, if you do not take up your entitlement under the Rights Issue, your percentage holding in the Company may be diluted to the extent Cordlife subsequently allocates any shortfall in accordance with the ASX Listing Rules.

You should consult your own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to participate in the Rights Issue.

If you have any questions regarding the Rights Issue or require any further information, please contact the Company on the following numbers - For Shareholders calling **within Australia: 1300 880 472** - For Shareholders calling from **outside Australia: +612 8280 7495**

Yours faithfully

A handwritten signature in black ink, appearing to be 'Andrew Lord', written over a horizontal line.

**Andrew Lord**  
**Company Secretary**