

TISSUE THERAPIES

INVESTOR NEWSLETTER – AUGUST 2007

2006/2007 Highlights

- VitroGro® human trials for the treatment of chronic skin wounds will commence in Canada later this year.
- VitroGro® classified as a topical biologic, not a pharmaceutical, by Health Canada. This should accelerate the approval and release of VitroGro® wound care products.
- Joint development agreement signed in March with Novozymes for the development of advanced wound dressing products.
- Exclusive agreement with Invitrogen Corporation for the world wide promotion and sale of VitroGro® signed in January.
- Internationally renowned wound care expert Professor Keith Harding appointed as expert advisor to VitroGro® human trials.
- \$150,000 Smart State Fellowship awarded to Tissue Therapies Research Associate Dr Tim Dargaville to develop interactive polymer bandage to accelerate healing and reduce scarring.
- Development of VitroGro®-1, a single protein molecule combining the active regions of VitroGro®'s three protein components, will significantly reduce production costs and make regulatory approval quicker, simpler and cheaper.
- Tissue Therapies' office moved to the new state of the art Institute of Health & Biomedical Innovation (IHBI) building at QUT's Kelvin Grove campus.
- Placement of 4,040,000 new ordinary shares in July will provide additional funding to accelerate pre-clinical and regulatory approval work.

CEO's Report

Welcome to the August 2007 issue of Tissue Therapies' investor newsletter.

The VitroGro® commercialisation program has been significantly accelerated over the past 12 months, as the result of our agreement with a group of leading international clinicians and scientists to start human trials in Toronto, Canada, later this year. The trial, which is due for completion in December, will evaluate VitroGro's® performance in the treatment of diabetic, venous and pressure ulcers.

We are delighted to be working with three of the world's acknowledged leaders in the wound-care field. The trials will be conducted by Dr Gary Sibbald, an internationally recognised wound care expert, and scientist Dr Douglas Queen, who has extensive experience in the investigation of new wound care technologies. Cardiff University's Professor Keith Harding, has also agreed to act as expert advisor. Find out more about our clinical trial collaborators on Page 2.

The move to conduct the trial in Canada should enable us to fast-track the commercialisation process. In addition to allowing trials of the effectiveness of VitroGro® on the three different types of ulcers to be conducted in one study, Health Canada's mutual recognition arrangements with a number of European and Asian countries, as well as Australia and New Zealand, will help fast-track approval of VitroGro® for commercial distribution in these markets.

Significantly, the decision by the Canadian Health Regulatory Body, Health Canada, to classify VitroGro® as a 'topical biologic' should expedite the approval and release of the first VitroGro® wound care products,



Tissue Therapies' Research Associate Dr Tim Dargaville receiving a Smart State award from Queensland Minister for State Development, John Mickel

as the clinical regulatory requirements for product assessment are more streamlined than for a pharmaceutical.

This classification should allow VitroGro® dressings to be marketed by distributors of medical devices, considerably expanding the range of distribution opportunities.

Demand for wound healing products for diabetic, venous and pressure ulcers currently tops \$US2 billion a year, and is estimated to be increasing at an annual rate of 11 percent. While we would like to conduct some further work in Australia to extend and refine the research, we expect to begin generating revenue by January 2009, or possibly earlier, as a result of this accelerated program.

I would like to congratulate Dr Tim Dargaville, a member of our research team, who was awarded a Smart State Fellowship in July. Tim received the fellowship for his pioneering work on using advanced polymer chemistry as a new therapy for scarring. We are delighted that Dr Dargaville's work is receiving the recognition it deserves, and we are very grateful to the Queensland Government, the Premier and to the Minister for State Development for their support.

There were a number of other exciting developments during the year, including two commercial agreements which

CEO's Report continued

will extend the range for commercial applications for VitroGro®. For example, the joint development agreement with leading Danish biotechnology company Novozymes A/S will investigate the effectiveness of combining VitroGro® with a Novozymes technology for wound healing applications. More about this on Page 4.

We also signed a world wide exclusive agreement with US-based Invitrogen Corporation for the distribution of the synthetic VitroGro® protein platform for use by biomedical scientists in research institutions and pharmaceutical and biotechnology companies. This is expected to generate substantial revenues as scientists using live cells demand more reliable, dependable, less variable cell culture systems, which Invitrogen will deliver with a new range of cell culture systems incorporating VitroGro®.

Thank you for your continued support in what has been another busy and exciting year for Tissue Therapies.

Dr Steven Mercer
CEO, **Tissue Therapies**

ABN-AMRO Morgans

Tissue Therapies a "buy"

Based on the imminent start of the clinical program, success securing grants and funding, and recent announcements of great collaborations, ABN-AMRO Morgans rated Tissue Therapies as a "buy" in its May 2007 research report, with a target price of \$0.74. The target price represents a 20 percent discount on the medium term valuation of \$0.92 when clinical trials get underway shortly.

ABN AMRO Morgans was the Underwriter and Lead Manager of the original Tissue Therapies IPO and the recent rights issue and Lead Manager to the recent placement by Tissue Therapies Limited and has received fees or commissions in regard to these activities. A Director of ABN AMRO Morgans Limited is a Director of Tissue Therapies Limited and has or will earn fees in regard to these activities.



Drs Gary Sibbald and Douglas Queen

VitroGro® human trials in extremely capable hands

Tissue Therapies is privileged to be working with Dr Gary Sibbald and Dr Douglas Queen on the human trial of VitroGro®. Both doctors are internationally respected for their success in clinical trials and commercialisation.

Dr Gary Sibbald is a professor of Public Health Sciences and Medicine at the University of Toronto and Director, Wound Healing Clinic at the Women's College Hospital in Toronto. Dr Queen is a scientist and world expert in the investigation of new wound technologies.

Together the two bring a wealth of experience in clinical evaluation, human trials, data collection and analysis, and preparation and submission of regulatory approval applications to the team.

CEO Dr Steven Mercer said the Tissue Therapies team were very excited to be working with a clinical and scientific team of such international renown.

"Drs Sibbald and Queen have previously conducted multiple human wound care product trials for major international American and European health care companies," Dr Mercer said.

"Their extensive experience and reputation will be of considerable assistance to Tissue Therapies commercialisation program for the VitroGro® technology platform."

Drs Sibbald and Queen are also members of the organising committee for the 3rd Meeting of the World Union of Wound Healing Societies to be held in Toronto, June 4th to 8th 2008.

Strengthened Financial Position

Placement of new shares to provide additional funding

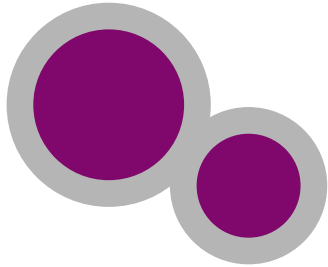
In July, Tissue Therapies announced the placement of 4,040,000 new ordinary shares to raise \$2,020,000 before costs of the issue.

The placement of new shares represents an additional 15.00% of the Tissue Therapies' existing issued capital and will provide additional funding to accelerate pre-trial and regulatory approval work.

tissue therapies



Professor Keith Harding



Institute of Health & Biomedical Innovation

Tissue Therapies moves to new state of the art facility

In September 2006 Tissue Therapies moved to a leased office in the new state of the art Institute of Health & Biomedical Innovation (IHBI) building at the Queensland University of Technology (QUT) Kelvin Grove campus.

Co-located with the R&D team of over 30 scientists under the leadership of Professor Zee Upton, the new location allows for more efficient exchange of ideas, updates, reviews and planning sessions. In addition, the IHBI building provides the convenience of on site meeting rooms, audio-visual equipment and other facilities, with monthly board meetings and AGMs now held on site.

Professor Keith Harding

Tissue Therapies receiving expert advice

Tissue Therapies has appointed Professor Keith Harding of Cardiff University as an expert advisor for the Company's VitroGro® human trials. Professor Harding is recognised as one of the world's leading expert wound care researchers and clinicians and is widely published in peer reviewed scientific journals and clinical text books.

As well as conducting his own research, Professor Harding has managed a number of complex wound treatment clinical trials for large international companies and is often invited to lecture on wound healing at scientific and clinical meetings.

Professor Harding will provide expert wound care product development advice to Tissue Therapies, with a particular focus on the development of VitroGro® products to manage diabetic, venous and pressure ulcers.

The strategic appointment of Professor Harding, who has worked on a number of clinical trial projects with Drs Sibbald and Queen, adds to the growing team of clinical wound care experts now assisting with clinical trials and product development aimed at introducing VitroGro® wound care products into the global wound care market.

Together with Drs Sibbald and Queen, Professor Harding is also a member of the organising committee for the World Union of Wound Healing Societies Meeting in Toronto during 2008.

Invitrogen Lab Supply

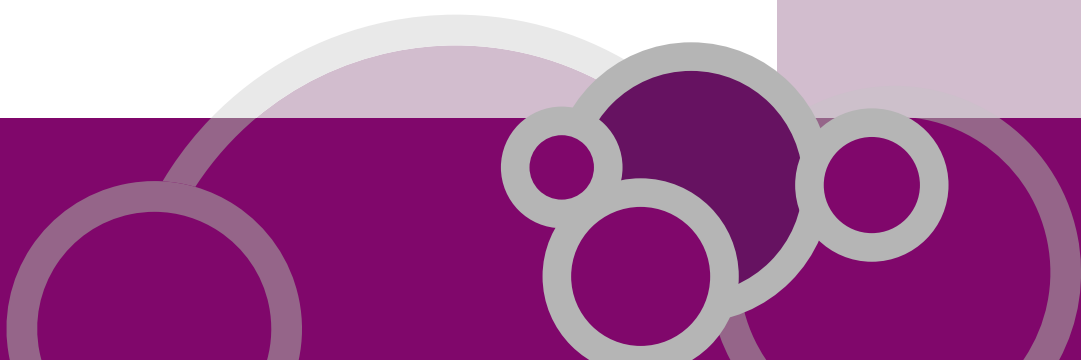
Lab supply agreement opens doors

Tissue Therapies has signed a worldwide exclusive agreement with Invitrogen, a provider of essential life science technologies for disease research and drug discovery, for the promotion and sale of VitroGro®.

Through this agreement, the worldwide sale and distribution of the synthetic VitroGro® protein, manufactured to Good Manufacturing Practice (GMP) standard, will substantially simplify experimental work on future health and medical therapies developed or tested with live cells by making regulatory approval for these treatments simpler, faster and less expensive.

The demand for completely synthetic, defined media for biologic research is expanding rapidly. There are many practical and technical advantages to biomedical scientists in using cell growth media that contain only known, characterised, synthetic proteins, particularly when the media is made to GMP standards.

"To the best of our knowledge, the VitroGro® media to be sold by Invitrogen is the only completely synthetic, defined, cell media available in the world today in which human stem cells can be grown. This gives us a significant competitive advantage, particularly when it is also made to GMP standards," said Tissue Therapies CEO Dr Steven Mercer.



Novozymes Partnership

VitroGro® applications expand

Tissue Therapies has signed a joint development agreement for the development of advanced wound dressing products with Novozymes A/S, a respected world leader in enzymes and other biological protein production and innovation.

The joint development agreement with Novozymes represents another important milestone in the development of VitroGro® products for the global wound care market, and an additional potential path to market of a new generation of wound care products.

The agreement is an important biotech endorsement of the VitroGro® technology. By combining proprietary Novozymes technologies with Tissue Therapies' VitroGro®, the development of more applications can be fast tracked, allowing VitroGro® to be marketed as a complete treatment as well as a component of a range of sophisticated wound dressings.

The collaboration involves scientific work in both Brisbane and Denmark, with one Novozymes scientist relocating to work with the Brisbane Tissue Therapies' research group headed by Professor Zee Upton at the Institute of Health and Biomedical Innovation (IHBI), part of the Queensland University of Technology (QUT). We anticipate that there will be significant long-term R&D and commercial benefits arising from closer working relations with Novozymes' research and commercial personnel.

Photo: QUT/Erika Fish



Dr Tim Dargaville

Dr Tim Dargaville

Tissue Therapies' Research Associate wins Smart State Fellowship

Tissue Therapies' Research Associate Dr Tim Dargaville has been awarded a \$150,000 Smart State Fellowship for his pioneering work on using advanced polymer chemistry as a new therapy for scarring. The fellowship, presented by Queensland Minister for State Development John Mickel, is part of the Queensland Government's commitment to innovation and building world-class research facilities.

Tissue Therapies and the Institute of Health and Biomedical Innovation, as co-sponsors of the fellowship, have matched the award with an additional \$150,000.

The \$300,000 over three years will be used to develop an interactive polymer bandage programmed to release an active healing agent on contact with skin, to accelerate healing and reduce scarring.

Dr Dargaville said the idea is to accelerate the body's own healing system, encouraging cell generation and repair, thus controlling the formation of scar tissue.

"There is an immense need for this type of product. Thousands of children receive shocking scars from burns each year and some people, particularly Indigenous Australians, are predisposed to abnormal wound healing leading to keloid or hypertrophic scarring," he said.

Dr Dargaville has extensive experience with polymers, having worked with some of the top polymer laboratories in Australia and internationally. He also worked with the Tissue Therapies team in the development of VitroGro® in the treatment of wounds, particularly diabetic ulcers.

Any commentary or general advice extracted or included in this newsletter has been prepared without taking into account your objectives, financial situation or needs. Before acting you should seek appropriate investment advice. Actual expenditure, milestones and achievements may vary significantly from those described in this newsletter.

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