



TISSUE THERAPIES

21 July 2008

Dear Shareholder

Share Purchase Plan

Tissue Therapies is ready to convert more than 10 years of scientific research, protein engineering, preclinical and now, clinical trials into powerful, effective, new wound healing treatments for diabetic, venous and pressure ulcers, at an end user price that preclinical data indicates will be more cost effective than existing treatments. Approval has been received for a human trial of VitroGro® in Perth, Australia. This will start after a short period of patient recruitment and the results will complement the human data from the Canadian clinical trial, for which approval is pending.

On behalf of the directors of Tissue Therapies Limited (**TIS**), I am pleased to invite Eligible Shareholders (see below) to participate in the TIS Share Purchase Plan (**SPP**) which will provide the opportunity to purchase up to \$5,000 of TIS ordinary shares without incurring brokerage or transaction costs.

The SPP will be available to persons who are registered as shareholders at 7:00pm (Brisbane time) on 4 August 2008 (**Record Date**), and having a registered address in Australia (**Eligible Shareholders**). Instructions on how to apply for a share allocation and key terms of the offer are contained in the enclosed SPP documentation.

The SPP is intended to provide existing shareholders with the opportunity to purchase further shares in TIS at \$0.08 per share, which represents a discount of 20% to the average market closing price of TIS shares for the 5 trading days prior to the announcement of the SPP.

Use of funds

The funds raised by the SPP will be used primarily for working capital to:

- commence planned clinical trials; and
- continue planned product development related research and development; and
- continue to strengthen the Company's worldwide intellectual property position by progressing the examination process for the expanded VitroGro® family of patents, including in the territories of the United States, European Union, Canada, Japan, South Korea, Hong Kong, China, India, South Africa, Australia and New Zealand.

The capital raised via an SPP is limited by the nature of the process (e.g. \$5,000 maximum investment per Eligible Shareholder). It is anticipated that further capital raising will be required to:

- complete all planned clinical trials; and
- fund commercial scale GMP manufacturing of new formulation VitroGro®, for sale via current and future commercial partners.

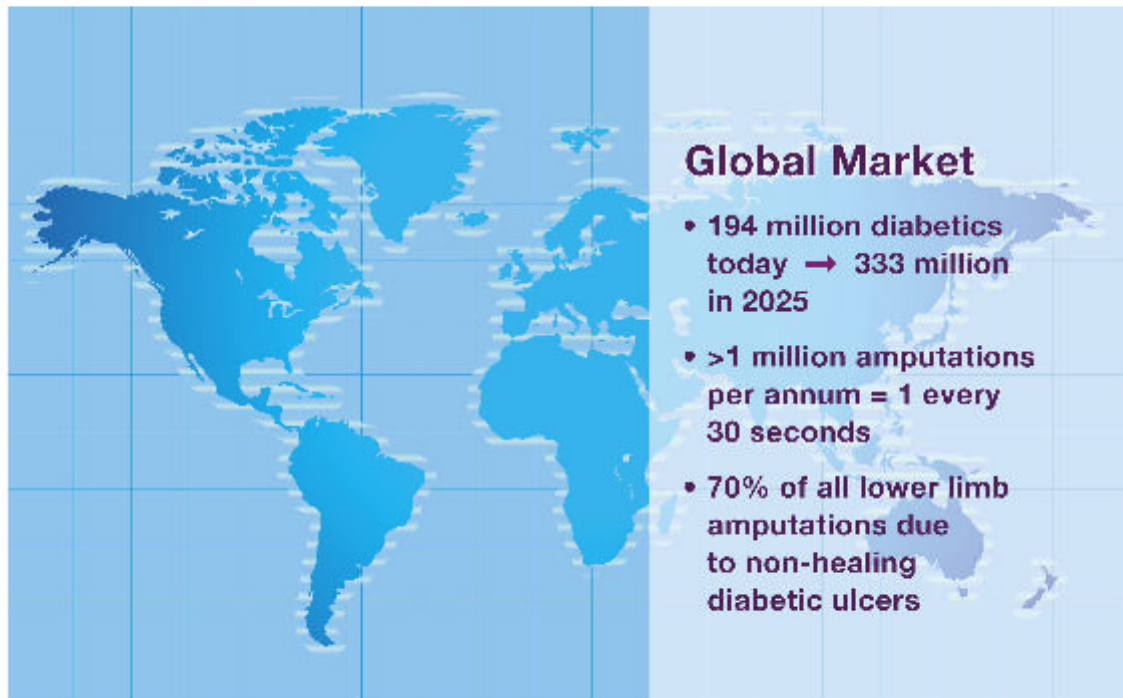
The SPP is entirely voluntary and will enable Eligible Shareholders, regardless of the number of shares they hold in TIS on the Record Date, to subscribe for a maximum of 62,500 ordinary shares at \$0.08 per share, being a maximum subscription of \$5,000 per Eligible Shareholder. Shareholders can subscribe for a minimum parcel of \$1,000 (or 12,500 Shares) and elect for additional shares in multiples of \$1,000 thereafter.

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Tissue Therapies Limited ABN 45 101 955 088 www.tissuetherapies.com
6th Floor, Institute of Health & Biomedical Innovation
60 Musk Ave
Kelvin Grove QLD 4059 Australia
GPO Box 1596 Brisbane Qld 4001
telephone +61 7 3839 9938 facsimile +61 7 3839 1486

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TARGET WOUND CARE MARKET



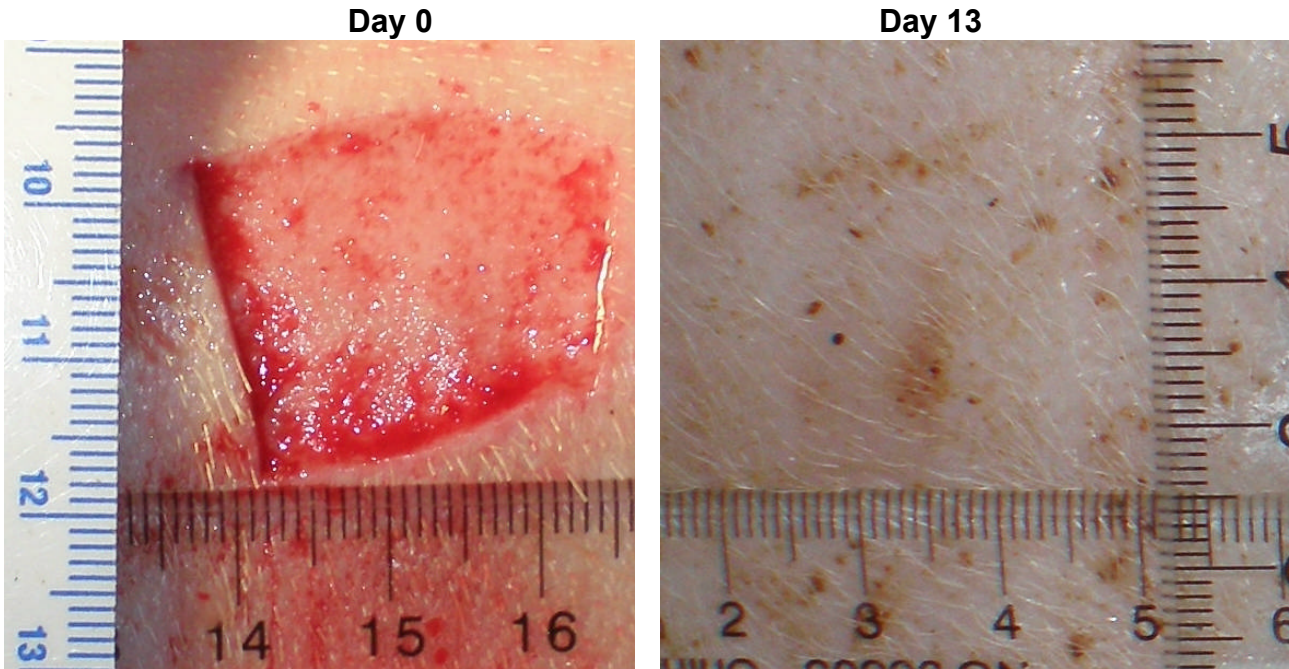
Highlights

- 1. Approval has been received for a human trial of VitroGro® to start in Perth immediately**
 - Approval is pending for a clinical trial of VitroGro® for the treatment of diabetic, venous and pressure ulcers in Toronto, Canada.
 - Results from each site of the multicentre clinical trial of VitroGro® will be released progressively with final evaluation expected within 6 months of first patient treatment.
 - Positive data from human clinical trials is expected to be the catalyst for formal partnership negotiations with international wound and healthcare companies.
 - Successful classification of VitroGro® for wound treatment as a device (rather than a drug) substantially reduces the time and costs of clinical trial and regulatory approval.
 - 40 patients are scheduled to be treated for 4 - 6 weeks each.
 - Device classification also allows future sales through a far broader range of outlets and partners than would be possible if VitroGro® were classified as a pharmaceutical.
 - The approved trial protocol will allow periodic release of results to Tissue Therapies during the clinical trial and production of a final report within 1 month of trial completion.
- 2. Lead product VitroGro® addresses a significant and growing unmet medical need**
 - VitroGro® has been designed to provide simple, effective and affordable new treatments for diabetic, venous and pressure ulcers. This is backed by ten years of substantial laboratory and preclinical data, including multiple publications in peer-reviewed, scientific journals.
 - Current treatments for diabetic, venous and pressure ulcers are costly and are only moderately effective. These include compression dressings, moist wound healing products, vacuum dressings and antimicrobial dressings to limit infection. Complete healing rates for diabetic, venous and pressure ulcers remain at approximately 25 – 50% following up to 20 weeks of treatment. (9, 10) Our target is to increase the incidence of complete healing substantially reduce the treatment time with VitroGro®.
 - Worldwide, it is estimated that patients suffering diabetic, venous and pressure ulcers spent USD\$4 billion in 2007 on wound dressings, with a compound annual growth rate of 11% – 15%. (1, 2) World market growth is being driven by aging population, increased incidence of diabetes and increasing affordability of health care in developing countries. (1, 2)
 - Up to 70% of all lower limb amputations in the world are related to diabetic ulcers. A lower limb is lost to diabetic ulcers every 30 seconds. This represents more than 1 million amputations globally each year. (5)

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3. Preclinical Results: Deep Incisional Wound Treated with VitroGro®



- The photographs above from a preclinical trial show that VitroGro® produces exceptional wound healing in only 13 days that:
 - is scarless
 - is almost indistinguishable from uninjured surrounding skin
 - exhibits restoration of normal skin pigmentation and regeneration of normal hair distribution and direction

4. Potential Strategic Partners

- A number of international wound and healthcare companies have expressed commercial interest in VitroGro®. Identification of promising new technologies must be verified by human trial results. Candidate strategic partner companies have indicated they are waiting for clinical trial results before proceeding with formal partnership negotiations.
- Tissue Therapies' strategy is to use positive human clinical trial results to leverage interest from international wound and healthcare companies to negotiate a strategic partnership agreement for the international sale and distribution of new VitroGro® wound healing products.

5. Commercialisation Strategy

- With available funding, completion of each human clinical trial is anticipated within 6 months of commencement, with periodic disclosure to Tissue Therapies of results during the course of each trial.
- With positive human clinical trial results, Tissue Therapies intends to:
 - use clinical trial data to proceed with formal partnership negotiations with identified potential healthcare partners.
 - apply for regulatory approval of original formulation VitroGro® for sale as a wound care treatment in Canada and countries with mutual recognition agreements with Canada including most of the European Union, Switzerland, Australia and New Zealand.
 - proceed with large scale manufacturing of new formulation VitroGro®, to provide simpler, faster and cheaper manufacturing.
 - repeat a small clinical trial of new formulation VitroGro® using the same protocol as the current clinical trial.
 - apply for regulatory approval of new formulation VitroGro® on the basis of equivalency in Canada and mutual recognition countries and leverage the world-wide sales and distribution capabilities of an appropriate commercial partner for international sales of VitroGro®, including in the USA.

6. Additional Product Pipeline

- **Growth of Stem Cells:**
 - VitroGro® can be used as a completely synthetic replacement for all animal and human serum in the media used to grow stem cells
 - This has been demonstrated over more than 20 generations of stem cells
 - Stem cells cultured with VitroGro® do not differentiate into other cell types
 - In combination with a collaborator's technology, feeder cells can also be removed
- **Protease Inhibitor Bandage:**
 - Removes inhibitory enzymes that prolong healing by degrading proteins necessary for wound healing
 - Combines VitroGro® with an already approved pharmaceutical
- **Scar Remediation (First Right of Refusal for Commercialisation):**
 - Specific silicon molecules discovered to reduce skin cell (fibroblast) production of scar tissue (collagen)
 - IP developed by scientists at the Queensland University of Technology
 - Resulted from a collaboration between cell biologists and polymer chemists
- **Bioactive Bandage (First Right of Refusal for Commercialisation):**
 - Australian Research Council collaboration between Queensland University of Technology, University of Queensland and Tissue Therapies
 - Combines nanotechnology beads with VitroGro® to develop sustained release sophisticated wound dressings

Risks

Your Directors encourage your continued support of the Company. Before making an investment decision, however you should read the terms of the SPP Offer and the Plan Rules accompanying this letter in their entirety. An investment in Tissue Therapies is speculative. Risk factors associated with an investment in Tissue Therapies include:

- the capital raised via an SPP is limited by the nature of the process. It is anticipated that further capital raising will be required to complete all planned clinical trials and to fund commercial scale GMP manufacturing of new formulation VitroGro®, for sale via current and future commercial partners;
- the price of the New Shares and New Options may be influenced by factors beyond the control of Tissue Therapies, such as the share market and general economic conditions;
- an inability to gain required approvals for future clinical trials;
- failure to meet clinical trial objectives or adverse events occurring during clinical trials;
- an inability to successfully complete clinical trials and commercialise its intellectual property;
- inability to attract and retain strategic partners;
- timing and cost of regulatory approvals;
- inability to adequately protect intellectual property; and
- competition from companies which have potentially greater access to and volumes of resources.

If you have any questions about participating in the SPP, you should consult your stockbroker, accountant, professional adviser or call Link Market Services Limited on 1300 554 474 (within Australia) or +61 2 8280 7475 (outside Australia).

Please refer to the **enclosed** Tissue Therapies Limited Share Purchase Plan Offer and Rules for further details of the Offer.

Yours sincerely



Dr Steven Mercer
CEO, Tissue Therapies Limited
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