

Appendix 4C Quarterly Report

Biomedical company, **Tissue Therapies Limited (ASX: TIS)** has released the additional commentary below, in support of the Appendix 4C report attached, for the period 1 July to 30 September 2008.

1. The cash expenditure of the Company of \$946,600 for the quarter ended 30 September 2008 was as expected and consistent with expenditure forecasts but was higher than usual.
2. This total cash expenditure included \$620,800 in research and development payments which was larger than usual because it included one-off and final payments for complex, multi-year VitroGro® research projects to which Tissue Therapies is a contributor, but which are heavily subsidised by research grant funding. These Tissue Therapies payments totalled \$284,000

Projected research and development payments for the quarter ending 31 December 2008 are forecast to be less than half those for the quarter ended 30 Sep. 2008 and are forecast to fall further in the first quarter of 2009 calendar year.

Forecast cash expenditure from October 2008 until March 2009 inclusive is also reduced by the absence of seasonal expenditure, particularly travel and accommodation costs for conferences and meetings.

3. Manufacturing of VitroGro® for planned and announced clinical trials is completed and manufacturing payments were nil, as forecast.
4. A successful and oversubscribed Share Purchase Plan and Share Placement produced total proceeds of \$1,113,100 as shown in Section 1.15 of the attached Appendix 4C.

The cash position of the Company and further fund raising options are under constant review by the Board, as demonstrated by the prudent additional raisings undertaken by the Company since listing. These include the negotiation of the three Convertible Note facilities cited in the Appendix 4C Section 3.1 which have now been drawn down and the oversubscribed Share Purchase Plan and Share Placement conducted during the quarter ended 30 September 2008.

It is anticipated that further fund raising will be conducted by the Company when final clinical trial results are available early in 2009 and it is pleasing that successful human trial results are already coming out of the clinical trial of VitroGro® in Fremantle, Western Australia. (see **ASX: TIS Announcements 3 Sep. and 20 Oct. 2008**)

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About Tissue Therapies Limited

Tissue Therapies Limited is an Australian company developing biomedical technologies for wound healing, tissue and various cell culture applications.

The Company has worldwide exclusive rights to commercialise VitroGro®, a platform technology developed by tissue engineering experts at the Institute for Health and Biomedical Innovation at Queensland University of Technology for enhancing cell growth and migration. VitroGro® has particular commercial applications in wound healing, tissue regeneration and cell culture.

Based on its VitroGro® platform technology, Tissue Therapies is developing more effective medical treatments for wounds and burns, integration of orthopaedic and medical implants, and other applications such as cosmeceuticals.

Tissue Therapies also provides cell culture reagents to enhance the growth of mammalian cells for emerging cell-based therapies, along with research and industrial cell culture markets internationally.

More information: www.tissuetherapies.com

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

TISSUE THERAPIES LIMITED

ABN

45 101 955 088

Quarter ended ("current quarter")

SEPTEMBER 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to Date (3 months) \$A'000
1.1 Receipts from customers		
1.2 Payments for (a) staff costs	(44.8)	(44.8)
(b) advertising and marketing		
(c) research and development	(620.8)	(620.8)
(d) leased assets		
(e) other working capital	(285.6)	(285.6)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	5.1	5.1
1.5 Interest and other costs of finance paid	(0.5)	(0.5)
1.6 Income tax rebate received		
1.6 Payment for raw materials inventory		
1.7 Product sales		
Net operating cash flows	(946.6)	(946.6)

+ See chapter 19 for defined terms

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	Current quarter \$A'000	Year to Date (3 months) \$A'000
1 8 Net operating cash flows (carried forward)	(946.6)	(946.6)
Cash flows related to investing activities		
1 9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1 10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1 11 Loans to other entities		
1 12 Loans repaid by other entities		
1 13 Other (provide details if material)		
Net investing cash flows	-	-
1.14 Total operating and investing cash flows	(946.6)	(946.6)
Cash flows related to financing activities		
1 15 Proceeds from issues of shares	1,113.1	1,113.1
1 16 Proceeds from sale of forfeited shares	-	-
1 17 Proceeds from borrowings	-	-
1 18 Repayment of borrowings	-	-
1 19 Dividends paid		
1 20 Other- payment of share issue costs	(28.3)	(28.3)
- research grants received	75.2	75.2
Net financing cash flows	1,160.0	1,160.0
Net increase (decrease) in cash held	213.4	213.4
1.21 Cash at beginning of quarter/year to date	519.6	519.6
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	733.0	733.0

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(443.3)
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Fees for research & development paid to Queensland University of Technology-(\$428.3) Fees paid to Directors-(\$15.0)
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Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2)

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,500.0	1,500.0
3.2	Credit standby arrangements		

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	30.5	-
4.2 Deposits at call	702.5	519.6
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	733.0	519.6

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 (Company Secretary)

Date: 31 October 2008

Print name: D MCKENZIE

Notes

+ See chapter 19 for defined terms.

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 107. Cash Flow Statements* apply to this report except for the paragraphs of the Standard set out below.
 - Aus 20 1- reconciliation of cash flows arising from operating activities to operating profit or loss
 - 39 & 40- itemised disclosure relating to acquisitions and disposals
 - 48 - disclosure of restrictions on use of cash

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.