ASX ANNOUNCEMENT

27 February 2009

Half-Yearly Report

Biomedical company, **Tissue Therapies Limited (ASX: TIS)** has released the following Directors Report, Auditor's Independence Declaration and Appendix 4D Half-Yearly Report for the 6 months ended 31 December 2008.

The results in the Half-Yearly Report are consistent with the information disclosed in the Prospectus for the non-renounceable pro rata rights issue announced on 28 January 2009 and the Board is pleased to report that at the date of issue of this Half-Yearly Report, applications received by the share registry exceeded the minimum subscription for this rights issue.

Further information: Dr Steven Mercer
CEO, Tissue Therapies Limited
Telephone: +61 (0)7 3839 9938

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About Tissue Therapies Limited

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

The Company has worldwide exclusive rights to commercialise VitroGro®, a technology developed by tissue engineering experts at the Institute for Health and Biomedical Innovation at QUT for enhancing cell growth and migration. VitroGro® has particular commercial applications in wound healing, tissue regeneration, stem cell therapies and other cell culture uses.

Based on its VitroGro® technology, Tissue Therapies is developing more effective medical treatments for wound healing including chronic ulcers and burns,

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**

DIRECTORS' REPORT

Your directors present their report on Tissue Therapies Limited (the Company) for the Half Year Ended 31 December 2008.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Roger Clarke - Chairman

Professor David Gardiner - Director

Mr Gregory Baynton – Director

Mr Donald Home – Director – (resigned 23 January, 2009)

Dr Steven Mercer– Executive Director

Review of Operations

- The after-tax loss of $1,787,530 was in line with budget expectations and includes an income tax rebate of $145,792 related to research and development tax incentives.
- Revenue of $83,519 arose from research grants and interest earned on funds on deposit.
- Research and development expenditure of $647,916 was incurred in pursuing the Company's key research and business priorities.
- In September 2008 the Company conducted a successful placement of 4,625,000 ordinary shares with institutional and sophisticated investors at $0.08 per share to raise $370,000, and issued 9,288,450 ordinary shares under a Share Purchase Plan at $0.08 per share to raise $743,076. The Company's contributed equity following the share issue and after transaction costs arising from the issues was $14,244,117.
- Cash assets were $324,005 at 31 December 2008.
- During August 2008 Tissue Therapies announced the start of the first human trial of VitroGro® under the direction of Chief Clinical Investigator and Vascular Surgeon, Professor Michael Stacey at the Vascular Research Laboratory, Fremantle Hospital in Western Australia. This trial tested VitroGro® as a treatment for venous ulcers in 8 patients. Following receipt of the final report, successful results for this clinical trial were announced during January 2009. The key findings of this human trial were:
    - reduction in median venous ulcer area from 9.2 to 5.2 square centimetres in 24 days
    - this reduction in wound area was highly statistically significant: $p < 0.01$
    - VitroGro® is safe and well tolerated
- During November 2009 the Company announced the approval of the Canadian health regulatory agency, Health Canada, for the clinical trial of VitroGro® for the treatment of diabetic, venous and pressure ulcers and this human trial started during that same month. This clinical trial of VitroGro® is being conducted in Toronto, Canada by the clinical team headed by Professor Gary Sibbald. Successful results from the first patient were announced on 2 February 2009. This patient experienced a 29% reduction in the size of his chronic diabetic ulcer in 6 weeks, despite conventional treatment for more than 2 years having produced no effect. This result was even more impressive given that the patient suffers from a challenging combination of complicating medical factors including long standing diabetes, with high blood pressure who continues to smoke and who has already undergone a toe amputation due to chronic diabetic ulceration.
- Tissue Therapies was granted the first USA patent in January 2009 with all claims granted for the core VitroGro® patent "Growth Factor Complex". This followed the prior granting of VitroGro® patents in Australia, New Zealand and South Africa.

Auditor’s Declaration

The lead auditor’s independence declaration under section 307C of the Corporations Act 2001 is attached to this Directors’ Report for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the Board of Directors.

Greg Baynton

Director

Dated 27 February 2009.

Hacketts DFK

LEVEL 3
549 QUEEN STREET
BRISBANE QLD 4000

TELEPHONE « 07 3839 9733
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27 February 2009

The Chairman
The Board of Directors
Tissue Therapies Limited
GPO Box 1596
Brisbane QLD 4001

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Tissue Therapies Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2008 there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Hacketts

Hacketts DFK
Brisbane

S G Lindemann

Shaun Lindemann
Partner

Tissue Therapies Limited

ABN 45 101 955 088

Appendix 4D
ASX Half-Yearly Report
31 December 2008

Lodged with the ASX under Listing Rule 4.2A

Contents

Results for Announcement to the Market

Summary of Financial Information

Extracts from this report for announcement to the market:

	6 months ended 31 December 2008 $	6 months ended 31 December 2007 $	Movement	Movement %
Revenue from continuing operations	83,519	56,770	26,749	47.1
Loss after income tax for the half-year attributable to members	(1,787,530)	(2,958,420)	1,170,890	39.0
Net loss for the half year attributable to members	(1,787,530)	(2,958,420)	1,170,890	39.0

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Highlights of Results

- The after-tax loss of $1,787,530 was in line with budget expectations and includes an income tax rebate of $145,792 related to research and development tax incentives.
- Revenue of $83,519 arose from research grants and interest earned on funds on deposit.
- Research and development expenditure of $647,916 was incurred in pursuing the Company's key research and business priorities.
- In September 2008 the Company conducted a successful placement of 4,625,000 ordinary shares with institutional and sophisticated investors at $0.08 per share to raise $370,000, and issued 9,288,450 ordinary shares under a Share Purchase Plan at $0.08 per share to raise $743,076. The Company's contributed equity following the share issue and after transaction costs arising from the issues was $14,244,117.
- Cash assets were $324,005 at 31 December 2008.
- During August 2008 Tissue Therapies announced the start of the first human trial of VitroGro® under the direction of Chief Clinical Investigator and Vascular Surgeon, Professor Michael Stacey at the Vascular Research Laboratory, Fremantle Hospital in Western Australia. This trial tested VitroGro® as a treatment for venous ulcers in 8 patients. Following receipt of the final report, successful results for this clinical trial were announced during January 2009. The key findings of this human trial were:
  - reduction in median venous ulcer area from 9.2 to 5.2 square centimetres in 24 days
  - this reduction in wound area was highly statistically significant: $p < 0.01$
  - VitroGro® is safe and well tolerated
- During November 2009 the Company announced the approval of the Canadian health regulatory agency, Health Canada, for the clinical trial of VitroGro® for the treatment of diabetic, venous and pressure ulcers and this human trial started during that same month. This clinical trial of VitroGro® is being conducted in Toronto, Canada by the clinical team headed by Professor Gary Sibbald. Successful results from the first patient were announced on 2 February 2009. This patient experienced a 29% reduction in the size of his chronic diabetic ulcer in 6 weeks, despite conventional treatment for more than 2 years having produced no effect. This result was even more impressive given that the patient suffers from a challenging combination of complicating medical factors including long standing diabetes, with high blood pressure who continues to smoke and who has already undergone a toe amputation due to chronic diabetic ulceration.
- Tissue Therapies was granted the first USA patent in January 2009 with all claims granted for the core VitroGro® patent "Growth Factor Complex". This followed the prior granting of VitroGro® patents in Australia, New Zealand and South Africa.

Half Yearly Financial Statements

Condensed Income Statement

	Note	Current period $	Previous corresponding period $
Revenue from continuing operations	**2**	**83,519**	**56,770**
Research & development		(647,916)	(671,059)
Clinical trials		(692,394)	-
Administration		(178,376)	(231,094)
Employment		(144,627)	(95,328)
Occupancy		(8,449)	(10,489)
Marketing, business development and patent protection		(110,940)	(33,595)
Raw materials and consumables		(5,480)	(2,046,404)
Consultancy – other		(74,282)	(95,180)
Finance costs		(75,616)	-
Other expenses		(78,761)	(20,473)
Loss before income tax		**(1,933,322)**	**(3,146,852)**
Income tax benefit		145,792	188,432
Net loss after tax		**(1,787,530)**	**(2,958,420)**
Loss attributable to members of the entity		**(1,787,530)**	**(2,958,420)**
Earnings per share	**8**	**Cents**	**Cents**
Basic earnings per share		(4.02)	(8.48)
Diluted earnings per share		(4.02)	(8.48)

The above condensed income statement is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Balance Sheet

	Note	At end of current period $	At end of period for last annual report $
Current assets			
Cash and cash equivalents		324,005	519,566
Receivables		57,316	184,152
Tax assets		126,652	290,456
Inventories	4	3,936,140	4,482,025
Other current assets		282,082	298,091
Total current assets		**4,726,195**	**5,774,290**
Non-current assets			
Property, Plant and Equipment		101,380	107,748
Intangible assets		342,250	342,250
Total non-current assets		**443,630**	**449,998**
Total assets		**5,169,825**	**6,224,288**
Current liabilities			
Payables		(611,192)	(965,230)
Financial Liabilities - Convertible Loans		(1,500,000)	(1,500,000)
Total current liabilities		**(2,111,192)**	**(2,465,230)**
Total liabilities		**(2,111,192)**	**(2,465,230)**
Net assets		**3,058,633**	**3,759,058**
Equity			
Issued capital	5	14,244,117	13,187,979
Options reserve		150,270	119,303
Accumulated losses		(11,335,754)	(9,548,224)
Total equity		**3,058,633**	**3,759,058**

The above condensed balance sheet is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Statement of Changes in Equity

	Note	At end of current period $	Previous corresponding period $
Contributed equity			
Ordinary shares at beginning of period		13,187,979	11,275,677
Shares issued during period		1,113,076	2,020,000
Transaction costs		(56,938)	(107,698)
Balance of shares at end of period		14,244,117	13,187,979
Options reserve			
Options reserve at beginning of period		119,303	65,439
Share options expensed during the period		30,967	5,410
Balance of options reserve at end of period		150,270	70,849
Accumulated losses			
Accumulated losses at beginning of period		(9,548,224)	(4,682,806)
Losses to members of the entity		(1,787,530)	(2,958,420)
Accumulated losses at end of period		(11,335,754)	(7,641,226)
Total equity at the end of the period		**3,058,633**	**5,617,602**

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

	Note	Current period $	Previous corresponding period $
Cash flows related to operating activities			
Receipts from customers		-	25,808
Payments to suppliers and employees		(864,802)	(2,642,512)
Payments for Research & Development		(871,301)	(692,476)
Interest received		11,755	55,962
Income tax rebate received		308,733	382,951
Interest and other costs of finance paid		(845)	(1,510)
Net operating cash flows		**(1,416,460)**	**(2,871,777)**
Cash flows related to investing activities			
Payment for property, plant and equipment		-	(3,941)
Net investing cash flows		**-**	**(3,941)**
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		1,113,076	2,020,000
Cost of share issue		(46,341)	(107,698)
Other – research grants received		154,164	-
Net financing cash flows		**1,220,899**	**1,912,302**
Net increase (decrease) in cash held		**(195,561)**	**(963,416)**
Cash and cash equivalents at beginning of period		519,566	1,911,919
Cash and cash equivalents at end of period	**6**	**324,005**	**948,503**

The above condensed statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

Note 1 Basis of preparation

The half yearly financial statements are a general purpose financial report prepared in accordance with the listing rules, Australian Accounting Standard AASB 134 *Interim Financial Reporting,* Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include full disclosures of the type normally included in the annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Tissue Therapies Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies applied by the Company are consistent with those in the June 2008 financial report.

Reporting basis and conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Going concern basis appropriate

Although the company has recorded an operating loss of $1,787,530 and has remaining cash balances at 31 December 2008 of $324,005 the half yearly financial report has been prepared on a going concern basis.

The company's ability to continue as a going concern is contingent upon raising additional capital to fund planned research and development expenditure and for use as working capital. The Directors believe that the Company will be successful in raising further funds and accordingly, have prepared the financial statements on a going concern basis.

The Company announced on 28th January 2009 a non-renounceable pro rata rights issue of 1 new share for every 2 existing shares at an issue price of $0.12 per new share to raise up to $3.4m, to provide the Company with working capital. 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. It should be noted that at the date of issue of this Half Yearly Report, applications received by the share registry exceeded the minimum subscription for the rights issue, and that sufficient funding has been obtained by the Company to enable it to pay its debts as and when they fall due, in the ordinary course of operations.

Tissue Therapies is also in discussions with potentially interested international sources of long term funding that may take the form of a strategic partnership. Substantial progress has been made in negotiations with one party for a potential strategic investment in Tissue Therapies late in the first quarter of 2009, however no formal agreement had been reached at the date of release of this Half Yearly Report. The Directors cannot give any assurance that a suitable arrangement will be able to be completed.

Note 2 Revenue and expenses from ordinary activities

	Note	Current period $	Previous corresponding period $
Revenue from ordinary activities			
Revenue from sales or services		-	808
Interest revenue		11,755	55,962
Research grants		71,764	-
Total revenue from ordinary activities		**83,519**	**56,770**

The following expense items are relevant in explaining the financial performance for the interim period:			
Depreciation expense		(6,368)	(3,444)

Note 3 Segment Information

Tissue Therapies operates predominantly in one business segment being biotechnology. The Company's customers and clients are located predominantly in Australia.

Note 4 Inventories

	At end of current period $	At end of period for last annual report $
VitroGro ® and Protein Components – at cost	3,936,140	4,482,025

Note 5 Issued and quoted securities at end of current period

Category of securities	Number	Issue price per security Cents	Amount paid up per security Cents	$
Ordinary securities				
Opening Balance at beginning of period – 1 July 2008	30,978,122			13,187,979
Changes during current period	13,913,450	8	8	1,113,076
Transaction costs				(56,938)
Total Ordinary Securities	44,891,572			14,244,117

Note 6 Reconciliation of cash and cash equivalents

	Note	Current period $	Previous corresponding period $
Cash on hand and at bank		22,530	297
Deposits at call		301,475	948,206
Total cash and cash equivalents at end of period		**324,005**	**948,503**

Note 7 Contingent assets and liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 8 Earnings per security (EPS)

Details of the basic and diluted EPS are as follows:

	Current period Cents	Previous corresponding period Cents
Basic earnings per security	(4.02)	(8.48)
Diluted earnings per security	(4.02)	(8.48)
Weighted average number of ordinary shares used in calculation of Basic earnings per security **	44,487,663	34,887,028
Weighted average number of ordinary shares used in calculation of Diluted earnings per security	44,487,663	34,887,028

* The diluted EPS calculation includes that portion of share options assumed to be issued at nil consideration, weighted with reference to the date of conversion. The weighted average number included for the current period and previous corresponding period is nil due to the options outstanding for the periods not being considered dilutive as the exercise price is greater than the volume adjusted weighted average market share price for the period.

** Included in the weighted average number of ordinary shares used in the calculation of both basic and diluted earnings per share is a bonus element in relation to shares issued upon the conversion of notes on 22 January 2009. The details of this issue are disclosed in Note 9 below. As required by AASB 133, the comparative earnings per share (basic and diluted) have also been restated due to the impact of the calculated bonus element on the weighted average number of ordinary shares.

Note 9 Events occurring after the balance sheet date

Shares and options were issued after balance date:

- 77,000 shares at 8c per share were issued pursuant to a consultancy agreement to Trevor Baldock on 9 January 2009, as approved by shareholders at the AGM held on 27 November 2008.
- 500,000 options were issued to Dr Steven Mercer (CEO) under the Company's Equity Option Plan in lieu of cash bonus on 12 January 2009 with an exercise price of 15c per option, as approved by shareholders at the AGM held on 27 November 2008. Options will vest in their relevant tranches on the achievement of Key Performance Milestones. Further details on the principal terms of the issues can be obtained from the announcement to the ASX on 12 January 2009.
- 11,707,529 ordinary shares were issued upon the conversion of Convertible Notes on 22 January 2009 as approved by shareholders at the AGM held on 27 November 2008. The conversion price was 9c per share. Of these shares issued, 5,865,950 ordinary shares were issued to an entity associated with Roger Clarke, a director of Tissue Therapies Limited, who became a substantial holder.

Tissue Therapies announced on 13 January 2009 the granting by the United States Patent and Trademark Office of the core VitroGro® patent "Growth Factor Complex". This followed the prior granting of VitroGro® patents in Australia, New Zealand and South Africa.

On 19 January 2009, Tissue Therapies announced the successful results of the VitroGro® Venous Ulcer Human Trial conducted in Fremantle, Western Australia by Professor Michael Stacey. The key findings of this clinical trial were:

- reduction in median venous ulcer area from 9.2 to 5.2 square centimetres in 24 days
- this reduction in wound area was highly statistically significant: $p < 0.01$
- VitroGro® is safe and well tolerated

On 23 January 2009, Donald Home resigned as a Director of Tissue Therapies Limited.

On 28 January 2009, the Company announced a non-renounceable pro rata rights issue of 1 new share for every 2 existing shares at an issue price of $0.12 per new share to raise up to a maximum of $3.4m, which is expected to provide the Company with working capital. It should be noted that at the date of issue of this Half Yearly Report, applications received by the share registry exceeded the minimum subscription for the rights issue, and that sufficient funding has been obtained by the Company to enable it to pay its debts as and when they fall due, in the ordinary course of operations.

On 2 February 2009, Tissue Therapies announced the successful results from the first patient in its Canadian trial to test VitroGro® for the treatment of diabetic, venous and pressure ulcers. This clinical trial of VitroGro® is being conducted in Toronto, Canada by the clinical team headed by Professor Gary Sibbald. The first patient experienced a 29% reduction in the size of his chronic diabetic ulcer in 6 weeks, despite conventional treatment for more than 2 years having produced no effect. This result was even more impressive given that the patient suffers from a challenging combination of complicating medical factors including long standing diabetes, with high blood pressure, who continues to smoke and who has already undergone a toe amputation due to chronic diabetic ulceration.

Other than the matters discussed above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of material an unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Note 10 Dividends

No dividend has been paid for the half-year ended 31 December 2008. As at 31 December 2008 and up until the date of this report, the directors have made no recommendation concerning dividends for the half-year, or any period thereafter.

Further Information

Ratios

	Current period $	Previous corresponding period $
Loss before tax / revenue Loss from ordinary activities before tax as a percentage of revenue	(2,314%)	(5,543%)
Loss after tax / equity interests Loss from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(58.44%)	(52.66%)

NTA backing

	Current period Cents	Previous corresponding period Cents
Net tangible asset backing per ordinary security	6.05	17.03

Review of Operations

A review of the operations of the Company during the financial year and significant changes in the state of affairs of the Company is as follows:

- The after-tax loss of $1,787,530 was in line with budget expectations and includes an income tax rebate of $145,792 related to research and development tax incentives.
- Revenue of $83,519 arose from research grants and interest earned on funds on deposit.
- Research and development expenditure of $647,916 was incurred in pursuing the Company's key research and business priorities.
- Cash assets were $324,005 at 31 December 2008.
- In September 2008 the Company conducted a successful placement of 4,625,000 ordinary shares with institutional and sophisticated investors at $0.08 per share to raise $370,000, and issued 9,288,450 ordinary shares under a Share Purchase Plan at $0.08 per share to raise $743,076. The Company's contributed equity following the share issue and after transaction costs arising from the issues was $14,244,117.
- Tissue Therapies' inventory of proteins is valued at the lower of cost and net realisable value. The move to scale up manufacture of the new formulation of VitroGro® will substantially reduce the cost of manufacture and allow Tissue Therapies to move to high volume sales of VitroGro®.

Compliance Statement

1 This Appendix 4D has been prepared in accordance with Accounting Standard AASB 134 “Interim Financial Reporting”, the Corporations Act 2001 and Corporations Regulations 2001; and other standards acceptable to the ASX.

2 This Appendix 4D, and the accounts upon which the Appendix 4D is based (if separate) until 31 December 2008 have been prepared in accordance with Australian equivalents of International Financial Reporting Standards (A-IFRS).

3 This Appendix 4D does give a true and fair view of the matters disclosed.

4 This Appendix 4D is based on financial statements which have been reviewed and the review report contains no qualifications.

5 The entity has a formally constituted audit and risk management committee.

TISSUE THERAPIES LIMITED

Drummond Mckenzie
COMPANY SECRETARY

Dated at Brisbane
27 February 2009

Directors' Declaration

In the opinion of the directors of Tissue Therapies Limited:

(a) the half-year financial statements and notes of the Company, set out on pages 2 to 11 are in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the financial position of the Company as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and

- (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors.

TISSUE THERAPIES LIMITED

Greg Baynton
DIRECTOR

Dated at Brisbane, 27 February 2009

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF TISSUE THERAPIES LIMITED

We have reviewed the accompanying half-year financial report of Tissue Therapies Limited. The half-year financial report comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report
The directors of the are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tissue Therapies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tissue Therapies Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Hacketts

HACKETTS DFK
Brisbane

SG Lind

Shaun Lindemann
Partner

Date: 27 February 2009