



ASX RELEASE

15 April 2011

Dear Shareholder

2011 Non-renounceable Rights Issue – Letter to Eligible Shareholders

Tissue Therapies Limited (**Tissue Therapies**) today announced the:

- placement of 11.50 million ordinary shares to sophisticated and professional investors at \$0.50 each raising approximately \$5.75 million (**Placement**); and
- lodgement of a prospectus for a non-renounceable rights issue of ordinary shares to existing shareholders at \$0.50 each to raise approximately \$9.36 million (**Rights Issue**).

Tissue Therapies intends to raise approximately \$15.10 million through the Placement and Rights Issue.

The Rights Issue is fully underwritten by RBS Morgans Corporate Limited who was also the manager for the Placement.

Terms of the Rights Issue

The Rights Issue entitles eligible Shareholders to subscribe for 1 new share in Tissue Therapies for every 8 existing shares held at 7.00pm (AEST) on 28 April 2011 (**Record Date**), at an issue price of \$0.50 per share (**New Shares**).

Eligibility

Eligible Shareholders are those persons who are registered holders of shares on the Record Date and having a registered address in Australia or New Zealand (**Eligible Shareholders**).

Offer documents

You are being sent this letter because Tissue Therapies believes you are an Eligible Shareholder. Information relating to the Rights Issue will be despatched to you by 29 April 2011.

The Rights Issue documents consist of:

- the Prospectus; and
- a personalised Entitlement and Acceptance Form which sets out the number of New Shares you are entitled to purchase under the Rights Issue (**Entitlement**).

Copies of the Prospectus are available for review on ASX's website, as well as on Tissue Therapies' website (www.tissuetherapies.com).

The Prospectus is important and will require your immediate attention.

Participation

Eligible Shareholders may take up their Entitlement in full or in part. Your Entitlement will be determined as at 7.00pm (AEST) on 28 April 2011.

Applications can be made with the personalised Entitlement and Acceptance Form which shows the holder's Entitlement and which Eligible Shareholders will receive with the Prospectus.

Shareholders may also apply for 'Top Up Shares' as described in the Prospectus, however the Company cannot guarantee that all or any of the Top Up Shares will be available.

Fractional Entitlements to New Share are rounded up to the nearest whole number of shares. As the Rights Issue is non-renounceable, Entitlements cannot be traded.

The New Shares issued under the Prospectus will rank equally with the ordinary shares currently on issue.

Option holders

Option holders may only participate in the Rights Issue if their options are exercised before the Record Date.

Use of proceeds

The purpose of the Rights Issue is to raise capital primarily to fund the larger scale manufacturing of VitroGro, the regulatory and reimbursement approval process and the acceleration of pipeline technology product development.

Estimated Use of Funds	\$,000's
Larger Scale Manufacturing	7,300
Regulatory and Reimbursement Approvals	3,377
Acceleration of pipeline technology product development	1,202
Operating expenditure	2,494
Costs of the Offer and Placement	740
Total	15,113

Important dates

Announcement of Rights Issue and Placement	15 April 2011
Ex Date	19 April 2011
Settlement of Placement Shares	20 April 2011
Expected date for commencement of normal trading and quotation of Placement Shares on ASX	21 April 2011
Record Date	7.00pm (AEST) 28 April 2011
Prospectus and Entitlement and Acceptance Form despatched to Shareholders (on or before)	29 April 2011
Last date for receipt of Entitlement and Acceptance Form and payment - Closing Date	5.00pm (AEST) 19 May 2011
Securities quoted on a deferred settlement basis	20 May 2011
Expected date for despatch of New Shares holding statements	26 May 2011

Expected date for commencement of normal trading and quotation of New Shares on ASX	27 May 2011
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This offer closes at 5.00pm (AEST) on Thursday 19 May 2011.

Risks

An investment in Tissue Therapies is speculative. The Directors believe the primary risks associated with an investment in Tissue Therapies are:

- *Clinical trial risk* - Tissue Therapies' ability to obtain regulatory approval for its products and profitability commercialise its products is dependent upon its ability to conduct successful clinical trials which are inherently risky, depend upon the availability of patients and regulatory approvals, and have no guarantee of returning efficacious results or proving practical or cost effective.
- *Regulatory and reimbursement approval risk* – Tissue Therapies' ability to research, develop, manufacture and sell its products is dependent upon regulatory approvals in target markets, for which there is no guarantee of securing such approvals in a timely and cost effective manner. While submissions may be made for reimbursement in certain jurisdictions, there is no guarantee that Tissue Therapies will be reimbursed for any costs associated with developing its products, which may adversely impact its financial position.
- *Delay risk* – the potential for delay of any of the key milestones, presents a number of risks, including the ability to secure a commercial partner, receive regulatory classification and achieve revenues within estimated timeframes.
- *Manufacturing and distribution capability risk* – Tissue Therapies' ultimate success is dependent upon its ability, or that of its commercial partner, to scale up and maintain production within the estimated time frame, and in accordance with regulatory standards.
- *Commercial partnering risk* – there is a risk that Tissue Therapies will not be able to identify an appropriate industry partner or negotiate attractive terms for a commercial agreement, which Tissue Therapies requires in order to commercialise its products.

These are a summary of some of the potential risks associated with an investment in Tissue Therapies. Before making a decision to invest, you should read section 4 of the Prospectus which further details key risks.

Overseas holders

The offer of shares under the Prospectus is limited to eligible shareholders with registered addresses in Australia or New Zealand. With the exception of New Zealand shareholders, overseas shareholders will not be offered shares under the Rights Issue.

To date, shareholders have shown great loyalty to Tissue Therapies and I believe you will see the merit in this accelerated development and commercialisation program and in supporting this major fundraising initiative.

Your Board of Directors commends this offer of New Shares for your consideration.

Yours sincerely



Steven Mercer
Chief Executive Officer

Further information please contact

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About Tissue Therapies Limited

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

The Company has worldwide exclusive rights to commercialise VitroGro®, a technology developed by cell biology, tissue engineering and protein engineering experts at the Institute for Health and Biomedical Innovation (IHBI) at the Queensland University of Technology (QUT) for enhancing cell growth and migration. VitroGro® has particular commercial applications in wound healing, tissue regeneration, cell based therapies and other cell culture uses.

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

Tissue Therapies is also proceeding with the development of other commercial applications for VitroGro® and other technologies for the treatment of psoriasis, scar prevention and treatment and potential treatments for various cancers including those of the breast, colon and prostate.

VitroGro® also provides a fundamental, transforming technology for completely defined cell culture reagents (ie. containing no purified animal or human proteins) to sustain and enhance the growth of live cells for emerging cell-based therapies, along with research and industrial cell culture markets internationally.

More information: www.tissuetherapies.com