

The Living Cell



A quarterly newsletter from Living Cell Technologies

May issue 2007

Message from Chairman & CEO

It has been a significant first quarter of the year for LCT, with a new CEO in place, completion of a capital raising, clinical trial approval and long-term diabetes results.

The remainder of the year is shaping up to be even bigger, with some strong international meetings planned with potential licensing targets, as well as the start of LCT's Diabetes clinical trial.

LCT has reached the stage where investor funds have developed critical capabilities – a safe, biocertified pig herd, a GMP manufacturing facility and testing lab, as well as clinical evidence showing that pig cells may survive and function for ten years in a human without the use of immunosuppression. These capabilities place LCT at the forefront of the cell transplant industry. No other company has

all of these requirements in place to be able to move forward as quickly.

LCT's focus at present is to carry out clinical trials of its diabetes product in New Zealand and Russia, with a view to taking these results to the US and Europe for further clinical trials.

Funding is required to carry out a clinical program. LCT is working diligently with our capital advisors, Taylor Collison and several international groups to devise a US and European strategy for future capital raisings. We are pleased to have launched our US ADR Level 1 program, to open up investment opportunities to our US supporters and new investors.

The Company has been very grateful for the ongoing commitment and support of the NZ Government and Foundation for Research,

Science & Technology (FRST) through LCT's involvement in the LARTA program, which provides the company with access to international mentors and targeting of potential partner companies.

LCT is now in a position to license cell therapeutics if a significant opportunity arises that would benefit shareholders and management are exploring options such as the licensing of pigs tissues to companies that are making pig derived implants, membranes, collagen and devices.


Simon J. Loughlin
Chairman


Dr Paul LJ Tan
CEO

Investor highlights

30 March 10 year survival of islet cell transplant

LCT announced it had published evidence outlining the survival and identification of live porcine islet cells and insulin production in a human patient 10 years after receiving a pig islet cell transplant.

The scientific paper published in the March issue of the international journal *Xenotransplantation* outlines how LCT has demonstrated the long-term safety, viability and function of its encapsulated porcine islets in a human patient over an extended period of time, without the use of immunosuppression.

In 1996 a 41 year old diabetic was injected with LCT's prototype diabetes product containing pig islet cells to help regulate his blood glucose levels and control of diabetes. The transplanted cells helped reduce the patient's insulin requirement by 34% for over a year, which provided better control and overall well-being. By 2005 the patient's glycated hemoglobin levels remained lower than the pre-transplant levels pointing to improved long-term control of blood glucose levels.

28 March 25th Annual Scientific Meeting of the Transplantation Society of Australia and NZ

LCT's Medical Director, Bob Elliott and Head of Virology, Olga Garkavenko attended the Annual Transplant Society meeting in Canberra in late March. LCT presented findings on its 10 year transplant results. LCT's CEO, Dr Paul Tan, was invited to address the International Xenotransplantation Council on LCT's plans to conduct a clinical trial in Russia this year. ►

LCT in the News...

LCT has appeared on TV, radio and in newspapers and magazines over the past few months – including being in several magazines at the newsagencies at the same time!

A snapshot of media coverage is below...

- ABC TV News
- TV3 News, NZ
- [New Scientist](#), 5 April 'Could pigs transform lives of diabetics?'
- [Australian Science](#), p 19 'Xenophobia'
- [The Australian](#), p5 '10 years on, pig cells still fighting diabetes'
- [The Australian](#), p4 'Pig cells in study to fight diabetes'
- Radio – 2GB, 2TM, 3, 6PR, National Radio, One
- [Canberra Times](#), p11 'Tackling diabetes: pigs might fly in the face of convention'
- [Cosmos](#) magazine, 'Pig cells may cure diabetes'
- [LifeStyle Extra](#) (UK), 'Could pigs transform the lives of diabetics?'

Investor highlights continued

16 March LCT selected to present at The Venture Forum in San Francisco

LCT is delighted to have been selected through a rigorous selection process, to present at The Venture Forum in San Francisco in May. The Venture Forum, developed by the LARTA Institute, is the largest - and longest running - showcase of early stage innovation and entrepreneurship. LCT as a presenting company has had access and preparation workshops with LARTA world-class mentors, to assist in delivering presentations focused on a solid business proposition and strong growth potential, to an expected audience of investors and partners. LCT is grateful for the sponsorship for the program through the NZ Foundation for Research, Science and Technology (FRST).

In addition, the Institute is assisting in securing meetings with companies that are interested in LCT's products. Following the LARTA meeting, LCT's CEO and CFO will meet with additional investment groups and top-tier journalists in San Francisco and New York.

12 March LCT presents at NZBio Conference

LCT CEO, Dr Paul Tan was an invited speaker at the NZ Bio conference, held in Auckland. Dr Tan spoke in two separate sessions – one outlining quality and regulatory aspects required in commercialising biotechnology, and the other presentation on new developments in cell technologies – outlining LCT's plans for clinical trials.

LCT is seeking email contacts from shareholders to provide regular development updates. Please send your name, email, phone and address details to lct@lctglobal.com to be included.

“My insulin requirements were significantly reduced to the point where I was off insulin altogether.”

Peter Thompson, recipient of LCT's early DiabeCell prototype product, as presented on TV3 News.



▲ Prof Bob Elliott being interviewed for Channel 7 TV

Financial highlights – in brief

12 April LCT establishes US ADR Level 1 Program

LCT announced it will establish a Level 1 American Depository Receipt Program (ADR), appointing The Bank of New York as its depository bank.

The ADR program will help to diversify and broaden LCT's shareholder base and will continue to increase visibility in the US market. The Level 1 ADR program is the first step in accessing the US market and liquidity from a US investor base.

The level of awareness and interest by US shareholders in cell therapy and LCT's programs has increased in the US over the past twelve months. An ADR Program enables companies based outside of the US to participate in the US based Over the Counter (OTC) market. ►



Talking with a leader ...

World First patient implanted with Pig Cells for Diabetes – 10 year results

Michael Helyer, Diabetes Transplant Recipient

Michael had battled with Type 1 diabetes for 18 years before he heard about a new treatment and clinical trial being conducted in New Zealand. The trial was an experimental treatment, which used pig islet cells wrapped in a seaweed gel and transplanted into his abdomen. The transplant was to try and help control Michael's blood glucose levels and help in his diabetes control.

Michael leapt at the chance to volunteer to receive the transplant in 1996, as his diabetes was very difficult to control and he often suffered from hypoglycaemic episodes making it difficult for him to lead an active, normal life.

10 years later, Michael still believed he was obtaining benefit from the original transplant. While the initial reduction in insulin (34%) he obtained in the first year hadn't continued, he still believed that his immune system was more robust, he was healthier and had better overall control of the disease.

At 49, Michael convinced Prof Bob Elliott to check if the cells were still there. Professor Elliott, a pioneer of the experimental treatment for Type 1 diabetes, said he did not initially believe Mr Helyer when he told of still benefiting from the transplant. "I told him he was away with the fairies."

"The common wisdom was that these things can only last a year or two at the most ... But there's no doubt he's got live pig cells in him that are making insulin, albeit in small amounts," said the diabetes researcher.

A laparoscopy in 2005 displayed what Michael had believed – numerous opacified capsules attached to the peritoneum in his abdominal cavity. On biopsy, these capsules contained viable islets showing glucagon and insulin producing cells.

continued on page 3 ►

Talking with a leader...

continued from page 2

Now, it has been confirmed that Michael does indeed still have pig insulin in his blood stream, indicating that the transplanted pig islet cells are still alive, safe and can function over the long-term.

To results are published in the international journal *Xenotransplantation*, 2007: 14: 157-161.

Stop Press!

17 April – Regulatory Review allows LCT Diabetes Clinical Program to Proceed

After a rigorous 7-month international review, LCT has received authorisation from the New Zealand regulator MedSafe to advance its program to conduct a Phase I/IIa clinical trial of its DiabeCell® diabetes product in New Zealand.

This approval enables LCT to apply for Regional Ethics Committee consideration, which is the step before the Minister grants formal approval to start the clinical trial. The NZ Health Research Council's Gene Technology Advisory Committee (GTAC) invited international experts in their strenuous review across ethical and cultural considerations, safety, public health and scientific data.

"This MedSafe recommendation confirms that the standards developed by LCT to meet regulatory requirements withstand international scrutiny," said Dr Paul Tan, Chief Executive Officer.

What impressed the Regulators...

LCT is the only company to have achieved the essential current regulatory requirements of an appropriate biocertified pig herd, GMP manufacturing facilities and monitoring protocols to follow up safety of patients post transplant.

LCT's GMP manufacturing facilities were audited and approved by MedSafe in December 2006. LCT has also received independent validation from international laboratories on its viral testing procedures. LCT's diagnostic laboratory for viral testing has also been audited by New Zealand authorities.

"It has taken an enormous amount of time, effort and resource to get approval to move to clinical trial, but today's announcement certainly validates LCT's world leading diabetes xenotransplantation capabilities," says NZTE Trade Commissioner and Consul General, Shona Bleakley, based in Melbourne.

Financial highlights – in brief continued...

14 February LCT closes successful Share Purchase Plan and Placement raising \$4.3 million

LCT successfully closed its Share Purchase Plan (SPP) offer to a total value of AUD\$3 million, as well as an additional private placement of \$1.3 million in capital.

The SPP raised AUD\$1.982 million in capital from eligible Australian and New Zealand shareholders, with a further \$1.018 million being taken up by clients of stock broking firm Taylor Collison, who underwrote the SPP. This represents 17,142,857 new ordinary shares in the company. In addition to the SPP, an additional placement of \$1.3 million led by Taylor Collison has been completed at \$0.175 per share.

Financial snapshot

Shares on issue	152,846,910
Market capitalisation	\$22 million
Number of shareholders	1,353

Conferences & presentations

NZBio Conference 2007, Auckland, NZ (invited speaker, Dr Paul Tan)

25th Annual Scientific Meeting of the Transplantation Society of Australia and NZ, Canberra, ACT

The Venture Forum, San Francisco, USA (invited speaker, Dr Paul Tan)

Development portfolio

Disease	Discovery	Preclinical	Phase I/II	Pivotal	Market
Huntington's, Neurodegenerative diseases NeurotrophinCell (NtCell)					
Type 1 Diabetes DiabeCell®					
Haemophilia Fac8Cell					

Outlook for 2007

- Start human clinical trials for the DiabeCell® type 1 diabetes product
- Develop an additional disease free pig facility – to enable cell production to meet late clinical studies and market
- Progress pre-clinical studies of NtCell in Huntington's disease, stroke and hearing loss
- Assess potential for pre-clinical studies in Parkinson's disease model
- Continue discussions for licensing of LCT's pig tissues, products



www.lctglobal.com

Australia
Paris Brooke, General Manager
LCT Ltd
Tel: +613 9886 0247
Fax: +613 9886 0517
pbrooke@lctglobal.com

Disclaimer: This document contains "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. Such statements are based on management's current expectations, but actual results may differ materially due to various factors including those risks and uncertainties mentioned or referred to in this document. Accordingly, you should not rely on those forward-looking statements as a prediction of actual future results.