Prospectus
May 2004

Living Cell Technologies

ABN
14 104 028 042

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For a non-renounceable Underwritten Rights Issue of 1 Share for every 2 Shares at A$0.20 per Share to raise approximately A$4,825,000, and for an offer of 10,000,000 Shares at A$0.20 per Share to raise up to A$2,000,000.

The Rights Issue is underwriten by Taylor Collison Limited.

Date of Prospectus	14 May 2004
Record Date to determine entitlements under the Offer	21 May 2004
Dispatch of Prospectus and Application Forms	26 May 2004
Last day for acceptance of Application Monies	23 June 2004
Expected date for dispatch of holding statements	14 July 2004

These dates are indicative only and LCT (in consultation with the Underwriter) reserves the right, subject to the Corporations Act and the Listing Rules, to amend any of the above dates.

This Prospectus is dated 14 May 2004 and was lodged with the Australian Securities & Investment Commission ("ASIC") on that date.

Neither ASIC, Australian Stock Exchange Ltd ("ASX") nor the Stock Exchange of Newcastle Ltd ("NSX") take any responsibility for the contents of this Prospectus. The investment described in this Prospectus has not been recommended or endorsed by ASIC, ASX, NSX nor any other regulatory authority of any jurisdiction.

This Prospectus expires on 14 May 2005. No securities will be sold or issued on the basis of this Prospectus after that date.

No person is authorised to give any information or make any representation in connection with the Offer other than as contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus is not, and may not be relied on as having been, authorised by LCT (or any of its officers).

Definitions of certain terms used in this Prospectus appear in the Glossary in Section 11.

An Entitlement and Acceptance Form and an Application Form must accompany this Prospectus. Shareholders must complete the Entitlement and Acceptance Form to take up their rights under the Rights Issue. Other investors must complete the Application Form when making an application for Shares under the General Issue.

This Prospectus has been prepared to comply with the requirements of the securities law of Australia. The Offer is not being extended to any person whose registered address is outside Australia or New Zealand (see Section 2.14). The distribution of this Prospectus outside these jurisdictions may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and should seek your own advice on such restrictions. Any non-compliance with restrictions may contravene applicable securities laws. This Prospectus does not constitute an offer in any place which, or to any person to whom it would not be lawful to make such an offer.

This document should be read in its entirety. If you have any queries about any part of this Prospectus, you should consult your stockbroker, solicitor, accountant or other professional adviser.

Dear Shareholder and Investor,

On behalf of the Board of Directors, I am pleased to introduce this Prospectus which presents:

> an offer to existing shareholders of Living Cell Technologies Ltd to apply for one Share for every two existing Shares held in the Company at a price of A$0.20 (or NZ$0.23) per Share ("Rights Issue"); and

> an offer to the general public to subscribe for Shares at an issue price of A$0.20 (or NZ$0.23) ("General Issue").

This Prospectus will also be used to assist in moving the listing of the Company's shares from the Newcastle Stock Exchange to the Australian Stock Exchange (ASX). Having the Company's shares listed for trading on the ASX is expected to provide greater liquidity for LCT's securities.

The past 12 months have seen substantial progress and milestone achievements in the Company's research and development program and pre-clinical testing.

It is the view of the Board of Directors that the Company is now poised to make significant progress toward the commercialisation of the Company's products, NeurotrophinCell, Fac8Cell, and DiabeCell.

I am pleased that I was able to accept the invitation to join Living Cell Technologies Ltd as its Chairman on 7 April 2004. The Company's technology platform is an inspiring one, and I look forward to using my many years of international business management experience to help guide the Company through its product development and commercialisation phase.

The Directors intend to use the funds from this Issue primarily to advance the development of the Company's products, NeurotrophinCell, Fac8Cell and DiabeCell. This development program will involve undertaking further pre-clinical testing and then the preparation of regulatory submissions for the undertaking of clinical trials.

Clinical trials will provide validation for the Company's products and differentiate them in the market. This is an important aspect when negotiating commercial outcomes with pharmaceutical companies and finalising commercialisation strategies.

The Company's expanded Board is focussed on the allocation of funds to those projects that it has judged can generate revenues for the Company in the shortest possible time frames.

The results of pre-clinical testing, some of which are being conducted at present, will be used to drive the Company's marketing and distribution strategies and will enhance the ability of the Company to maximise its commercial outcomes.

The Directors are positive about the future prospects of the Company and commend this Prospectus to you.

Yours sincerely

Mick Yates
Chairman

1.1 Terms of Offer

As detailed in the Chairman's letter, this Prospectus presents a rights issue to existing Shareholders of LCT ("Rights Issue") as well as an offer to the general public to subscribe for Shares in LCT ("General Issue").

Rights Issue

Under the Rights Issue, existing Shareholders are invited to subscribe for one Share for every two existing Shares they hold in LCT at a price of A$0.20 (or NZ$0.23) per New Share.

Shareholders are also invited to subscribe for Additional Shares beyond their Entitlement at the same price as set out above.

The Rights Issue is fully underwritten by Taylor Collison Limited (see section 10.6) and LCT expects to raise approximately $4,825,000 (before expenses) from the Rights Issue.

General Issue

Under the General Issue, a total of 10,000,000 Shares (as well as those Shares which are not subscribed for pursuant to the Rights Issue) are offered for subscription by members of the general public at an application price of A$0.20 (or NZ$0.23) per New Share.

The General Issue is not underwritten and will raise up to A$2,000,000 for LCT (before expenses).

1.2 About LCT

General

LCT's business was formed in 1987, and has been built around a uniquely novel and patented technology platform which has versatile applications, diverse relevance and the potential for multiple revenue streams.

LCT, which developed and owns its originating intellectual property, operates through wholly-owned subsidiaries. Its corporate head office and scientific panel is based in Adelaide, its research and technology unit is based in Auckland, New Zealand and its product development and regulatory unit is based in Rhode Island, United States.

Technology Platform

The Company's technology platform is the culmination of 16 years research and development. Specific cells in a healthy human body provide constant regulation and maintenance of the body's chemical and endocrine balance. In cases where a disorder is caused by the dysfunction of those cells, LCT's technology platform applies new cells to replace the function of the affected organs. The result is expected to restore the body's balance, thereby avoiding (or reducing) the complications of the disorder without the requirement for invasive whole organ transplant or the use of immunosuppressant drugs.

The LCT cell-based therapy encases therapeutic cells within a permeable capsule. The capsule contains cells that are protected from host rejection by the imunoisolatory capsule. The capsule forms a barrier that admits oxygen and required nutrients for the cells and releases bioactive secretions, such as insulin, but restricts passage of larger cytoxic agents from the host immune defence system. The capsule eliminates the need for chronic immunosuppression and allows the implanted cells to be obtained from non-human sources.

LCT focuses on treatment for diseases that are currently not being well managed and currently have no cure, such as Huntington's disease, Haemophilia and Diabetes. This market-driven approach puts LCT in a unique position to offer alternative treatments for those diseases. Having three discrete product streams derived from the platform technology diversifies risk and enhances LCT's global opportunities.

LCT has demonstrated early success of its technology platform in authorised pilot human trials conducted in New Zealand and, following completion of this Offer, intends to embark on pre-clinical trials of its product portfolio to support registration and commercialisation of its patented cell based treatments.

Product Portfolio

LCT's current product portfolio consists of:

> NeurotrophinCell - a choroid plexus cell product which has the potential to treat neurodegenerative disorders such as Huntington's disease and stroke;
> Fac8Cell - a liver cell product which is aimed at treating patients suffering from haemophilia; and
> DiabeCell - a porcine pancreatic cell product which management considers has the potential to revolutionise the treatment of diabetes.

A more fulsome description of these products is contained in section 3.

LCT's technology platform offers LCT the opportunity to develop treatments for numerous other diseases and disorders and LCT intends to build on its product portfolio by undertaking further research. The aim of this research will be to identify new products which have the potential to address significant, unsatisfied market requirements.

The Markets

Conventional medical treatments for cell loss resulting from autoimmune, degenerative, inherited or traumatic conditions, do not address the cell loss (stop the deterioration) that causes these diseases. The incidence of some of these diseases continues to grow at epidemic proportions.

Haemophilia has become one of the most expensive diseases to treat:

> Over 1,600 people are affected by haemophilia in Australia;
> Current treatment can cost over A$100,000 annually for each patient.

Diabetes is the fifth leading cause of death in the developed world:

> Over 176 million people are suffering from diabetes worldwide with the number of diabetics expected to double over the next 25 years;
> In the United States US$132 billion was spent on diabetes in 2002, and direct costs doubled in the preceding five years;
> Despite current treatment, diabetes accounts for 19% of cardiovascular deaths, over 43% of kidney failure and is the leading cause of blindness and limb amputation.

Commercialisation Strategy
LCT's commercialisation strategy is to progress the development of its products through the completion of pre-clinical trials, human clinical trials and then (subject to all regulatory approvals being obtained) to offer its products to patients through cell therapy centres.

If the pre-clinical trials of its NeurotrophinCell product are successful, LCT intends to licence out the rights for the development of the product to a suitable pharmaceutical company.

If such a licensing arrangement is concluded, LCT will apply the resulting revenue stream to assist in the development of its Fac8Cell and DiabeCell products.

Board and Management
LCT has a Board of Directors and management team with extensive scientific and commercial experience. Its management team is supported by a scientific panel comprised of specialists in particular scientific and medical fields.

Details of the Board, management and scientific panel are set out in Section 4 of this Prospectus.

Prospects, Dividends, Capital and Risks
LCT is in a development stage. Revenues, profits and cash flows for LCT are dependent on a number of factors including the outcome of its development activities, licence negotiations and its ability to commercialise any of its current or future products. In light of the above factors, the Directors consider that at this stage of LCT's development they are unable to provide potential investors with reliable revenue, profit, cost or cash flow projections or forecasts.

The Directors will assess the ability to pay dividends, if and when deemed appropriate to LCT's circumstances, as LCT further develops.

Following completion of this Offer, it is expected that LCT will have adequate funds to finance its existing and planned expenditure requirements in the short term (see section 2.2). However, the Directors consider that further fundraisings may well be required to fund its ongoing operations and to facilitate growth.

This Prospectus provides information for shareholders to decide if they wish to add to their investment in LCT and should be read in its entirety. In particular, attention is drawn to the risk factors described in Section 9. If you have any questions about the desirability of or procedures for investing in LCT, please contact your stockbroker, accountant or independent financial adviser.

Investment in LCT should be considered as speculative.

2.1 Offer Details

The offer made under this Prospectus comprises a Rights Issue and a General Issue.

Rights Issue Details

A total of approximately 24 million Shares are being offered to Shareholders registered on the Record Date at a price of A$0.20 (or NZ$0.23) per New Share to raise a total of approximately A$4.8 million.

The Rights Issue is non-renounceable and is made on the following basis:

> Each Shareholder with a registered address in Australia or New Zealand will be entitled to subscribe for one (1) Share for every two (2) Shares held as at close of business on 21 May 2004 ("Record Date"). If you are a Shareholder, the number of Shares to which you are entitled is shown on the Entitlement and Acceptance Form which accompanies this Prospectus.
> Shareholders can also apply for Additional Shares by completing the "Additional Shares" section on the Entitlement and Acceptance Form. Shareholders are encouraged to apply for Additional Shares if, following full participation in the Rights Issue, their shareholding would be less than a marketable parcel of 10,000 Shares. The allotment of such Additional Shares is subject to the conditions referred to in Section 2.5.
> The Rights Issue is non-renouncable. This means that Shareholders cannot sell their Rights or otherwise transfer them.
> The subscription price of A$0.20 (or NZ$0.23) for each Rights Issue Share is payable in full on application.
> Fractional entitlements to Rights Issue Shares will be rounded up to the nearest whole number.
> Their is no minimum subscription for Rights Issue Shares

General Issue Details

A total of 10 million Shares (as well as those Shares which are not subscribed for pursuant to the Rights Issue) are being offered for subscription at a price of A$0.20 (or NZ$0.23) per Share to raise up to A$2 million.

The General Issue is made on the following basis:

> An application for Shares pursuant to the General Issue must be for a minimum of 10,000 Shares (A$2,000). Applications for more than 10,000 General Issue Shares must be made in multiples of 100 New Shares.
> The subscription price of A$0.20 (or NZ$0.23) for each General Issue Share is payable in full on application.
> To the extent that the Shareholders do not take up their full Entitlement under the Rights Issue (that is, there is a Rights Issue Shortfall), then those Rights Issue Shares which were not applied for will form part of the General Issue.

That is, the total number of General Issue Shares to be offered for subscription under this Prospectus will be the sum of 10,000,000 Shares plus the number of Shares comprising the Rights Issue Shortfall.

> LCT reserves the right to allocate General Issue Shares in full for any application, to allocate any lesser number, or to decline any application. Where no allocation of General Issue Shares is made or where the number of General Issue Shares allocated is less than the number applied for, surplus application monies will be returned. Interest will not be paid on any application monies refunded and any interest earned on application monies pending allocation or refund will become an asset of LCT.
> General Issue Shares will not be issued to applicants where to do so would be in breach of the Listing Rules or any applicable law.

Proposed Placement

The Directors intend to make a placement of further Shares at an issue price of $A0.20 each soon after the issue of this Prospectus to raise a further $700,000. At the date of this Prospectus, no commitments have been made by any potential investors and, accordingly, there is no guarantee that the placement will proceed or, if it does proceed, that LCT will raise all of the $700,000 it is seeking to raise. The funds from this placement are expected to be used for general working capital until the closure of this prospectus.

2.2 Use of Funds

The funds to be raised from the Issue (if fully subscribed) will result in LCT having a total of A$6,825,765. This figure will comprise:

> approximately A$4,825,765 in available funds pursuant to the Rights Issue (which is underwritten); and
> approximately A$2,000,000 in available funds should the General Issue be fully subscribed.

The proceeds from the Issue are proposed to be expended as tabled overleaf.

Following the completion of the Offer, LCT will have adequate working capital for approximately 12 months to carry out the following objectives:

> completion of pre-clinical trials of its three key products;
> preparation of regulatory submissions for the undertaking of human clinical trials in respect of each of those products;
> identification of new products for future Research and Development.

Use of funds	A$
Further development of LCT's product portfolio, including:	
Pre-clinical trials of NeurotrophinCell;	$754,000
Pre-clinical trials of Fac8Cell;	$759,000
Pre-clinical trials of DiabeCell;	$895,000
Funds available for general working capital, including activities promoting LCT's overall objectives and the costs involved in negotiating a commercial licensing or partnering deal for NeurotrophinCell, including additional R&D;	$1,080,000
Management and Administration	$1,016,000
Contingency Planning	$109,000
Expenses of this Issue	$477,000
Repayment of Convertible Notes	$680,000
Total Use of Funds	$5,770,000

The completion of the pre-clinical trials will provide the Board with the ability to make informed decisions regarding the potential for licensing and/or partnering individual products with suitable pharmaceutical companies.

These decisions will be based on:
> success of the pre-clinical testing for each product;
> success of negotiations with suitable pharmaceutical companies;
> capital required by each product for the next phase of development;
> potential income from commercialisation of each product;
> potential income from partnering and/or licensing each product.

The Directors consider that a further fundraising may be required if a decision is made to accelerate the development of specific products which may bring forward shareholder returns. See section 9.1.

2.3 Summary Capital Structure

Shares

As at the date of this Prospectus, LCT has 48,257,657 Shares on issue. Under the Rights Issue 24,128,829 Shares will be issued. Under the General Issue, up to 10,000,000 Shares will be issued. The proposed placement will result in approximately 3,500,000 Shares being issued. Accordingly, the total number of Shares on issue at the completion of the Issue (assuming it is fully subscribed) will be approximately 85,886,486.

Options

As at the date of this Prospectus, LCT has on issue the following Options:
> 12,536,150 Options having an exercise price of A$0.21 and expiring on 30 June 2010; and
> 1,000,000 Options having an exercise price of A$0.22 and expiring on 30 June 2008.

The terms of the Options are set out in Section 10.4.

No new Options will be issued pursuant to the Rights Issue (excepting Underwriter's Options - see section 10.6).

Convertible Notes

As at the date of this Prospectus, LCT has on issue 8 Convertible Notes. The terms of the Convertible Notes are set out in Section 10.5. LCT expects to issue a further Convertible Note shortly after the date of this Prospectus.

2.4 Nature of Investment

Investment in the securities of LCT should be regarded as speculative. The New Shares offered under this Prospectus carry no guarantee whatsoever with respect to return of capital investment, payment of dividends or the future value of the New Shares. Investment in the New Shares offered under this Prospectus involves risk, and attention is drawn to the risk factors described in Section 9. This Prospectus should be read in its entirety.

2.5 Shareholders' right to apply for Additional Shares

Shareholders participating in the Rights Issue may apply for more Shares than shown on their Entitlement and Acceptance Form. That is, they may apply for Additional Shares. To do this, please complete the "Additional Shares" section on the Entitlement and Acceptance Form.

The same payment terms apply to applications for Additional Shares as apply for New Shares accepted as part of your Entitlement.

No Shareholder is assured of receiving any Additional Shares, as Additional Shares will only be available to the extent that other Shareholders do not take up their full Entitlement (that is, if there is a Rights Issue Shortfall).

If applications for Additional Shares exceed the Additional Shares available, the amount of Additional Shares available to each applicant will be scaled back, subject to the Underwriter's discretion, having regard to what is reasonable in the circumstances. It is intended that, in the event of a scale back, priority will be given to Shareholders who, on the Record Date, hold fewer than 10,000 Shares.

Additional Shares will not be issued to Shareholders where to do so would be in breach of the Listing Rules or any applicable law.

2.6 Ranking of New Shares

New Shares will rank equally with the Shares already on issue as at the date the New Shares are allotted.

The New Shares will participate fully in any dividends declared and paid by LCT after the date of their issue. No dividends have been paid to date by LCT.

A summary of the rights attaching to the New Shares being ordinary shares in LCT is set out in Section 10.3.

2.7 Payment

Acceptance of Rights Issue Shares and applications for General Issue Shares and Additional Shares must be accompanied by full payment of the total price of $0.20 (or NZ$0.23) per Share. Payment will be accepted in Australian or New Zealand currency and as follows:

> bank cheque drawn on and payable at any Australian or New Zealand Bank; or
> personal cheque drawn on and payable at any Australian or New Zealand Bank.

Cheques should be crossed "not negotiable" and made payable to "Living Cell Technologies Ltd Prospectus Account". Please do not forward cash. Receipts for payment will not be issued.

Application Monies will be held on trust for applicants until allotment of the New Shares.

Interest earned on Application Monies will be for the benefit of LCT and will be retained by LCT whether or not allotment takes place.

Investors who apply for Additional Shares or General Issue Shares which are not allocated, will be refunded, without interest, that portion of the Application Monies relating to the payment for the Shares which were not allocated.

2.8 No Rights Trading

The Rights Issue is non-renounceable. This means that you cannot sell your Rights, or otherwise transfer them.

2.9 ASX/NSX Listing

Application will be made within 7 days after the date of this Prospectus for LCT to be admitted to the official list of ASX and for official quotation of the Shares and New Shares on ASX as soon as possible after completion of the Offer.

If LCT is not admitted to the official list of ASX and/or official quotation of the New Shares on ASX is not obtained, application will be made for official quotation of the New Shares on the NSX. If official quotation of the New Shares on the NSX is not obtained, the Application Monies will be refunded without interest and the Offer will not proceed.

The fact that ASX (or the NSX) may list the New Shares is not to be taken in any way as an indication of the merits of LCT or the New Shares.

ASX (and/or the NSX) take no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

2.10 NSX Delisting

If LCT is admitted to the official list of ASX, it will apply for delisting of its securities on NSX.

2.11 Allotment and Dispatch of Shareholding Statements

Allotment of New Shares will only be made once the Application Monies have been received and ASX or NSX (as the case may be) has granted permission for the New Shares to be given official quotation. It is expected that allotment will take place on 14 July 2004. Issuer Sponsored Statements or CHESS notices (as applicable) will be dispatched soon after that date.

2.12 CHESS

LCT participates in the Clearing House Electronic Sub register System ("CHESS").

ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 523) ("ASTC"), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Corporations Act and Security Clearing House Business Rules.

Under CHESS, Applicants will not receive share certificates if they are issued New Shares, but will receive a statement of their holding indicating the issue of the New Shares pursuant to acceptance of the Offer.

If a Shareholder is broker sponsored, ASTC will, after issue, send that person a CHESS statement. If an Applicant is registered on the Issuer Sponsored Sub Register, the Applicant's statement will be dispatched by Computershare Investor Services Pty Ltd.

A CHESS statement on Issuer Sponsored Holding(s) will routinely be sent to Shareholders at the end of any calendar month during which there has been a change in the balance of their shareholding. Shareholders may request a statement at any other time, however LCT may charge an administration fee for additional Issuer Sponsored statements.

2.13 Underwriting

The Rights Issue has been fully underwritten by Taylor Collison Limited pursuant to an Underwriting Agreement dated 11 May 2004. Material terms of the Underwriting Agreement and the circumstances under which the Underwriter may terminate its obligations are set out in Section 10.6 of this Prospectus. The General Issue is not underwritten.

2.14 Non-Qualifying Investors/Shareholders

The Offer is not being extended to any person whose registered address is outside Australia or New Zealand ("Non-Qualifying Foreign Investor").

LCT is of the view that it is unreasonable to extend the Offer to Non-Qualifying Foreign Shareholders having regard the number and value of New Shares which would be taken up by Non-Qualifying Foreign Investors and the cost of complying with the legal requirements and requirements of the regulatory authorities in the respective overseas jurisdictions.

No action has been taken to register or qualify the Offer or otherwise to permit a public offering of New Shares in any jurisdiction outside of Australia and New Zealand.

2.15 Taxation

The taxation consequences of any investment in New Shares will depend on the investor's particular circumstances. Investors must make their own enquiries concerning the taxation consequences of taking up New Shares. Some taxation consequences of taking up New Shares are described in Section 10.13.

2.16 Professional Advice

If you are in any doubt as to whether to accept the Offer, please contact your stockbroker or financial or other professional adviser.

2.17 Withdrawal of Prospectus

The Directors may at any time decide to withdraw this Prospectus, in which case the Company will repay, as soon as practicable and without interest, all Application Monies received pursuant to this Prospectus.

2.18 Recent Share Prices

The highest and lowest market sale prices of Shares on the NSX during the past 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: A$0.22 per share on 10 May 2004
Lowest: A$0.20 per share on 7 May 2004

The latest available market sale price of Shares on the NSX prior to the date of lodgement of this Prospectus with ASIC was A$0.22 per Share on 10 May 2004.

2.18 Electronic Prospectus

This Prospectus may be viewed on line at www.lct.com.au. Investors in Australia and New Zealand may apply for General Issue Shares by completing the Application Form accompanying a hard copy of this Prospectus or a paper copy printed out from an electronic version of the Prospectus.

However, Shareholders may only make application for Rights Issue Shares or Additional Shares by completing the Entitlement and Acceptance Form attached to the hard copy Prospectus which was issued to Shareholders by LCT.

The Corporations Act prohibits any person from passing the Application Form onto another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting Computershare Investor Services Pty Limited during the period of the Offer.

2.19 Exposure Period

The Corporations Act prohibits the Company from processing applications in the 7 day period after the date of lodgment of this Prospectus. This period may be extended by ASIC by a further 7 days. This period is an exposure period to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on applications received during the exposure period.

3.1 Background

LCT is an advanced biotechnology company currently listed on the Stock Exchange of Newcastle Ltd. LCT's business was formed in 1987 to research cell extraction and to develop procedures for advanced living cell replacement therapies.

Until recently, LCT concentrated its research and development predominantly on a treatment for insulin-dependent diabetes. This research and development resulted in LCT establishing proprietary sources of living cells and the ability to consistently produce pancreatic islet cells under the strict guidelines set for manufacturing cell therapy products.

This technology can be applied to other diseases and, while still committed to developing a treatment for diabetes, LCT has broadened the use of its proprietary technology and cell sources, and is now also conducting research and development into the treatment of diseases of the liver and the central nervous system. The Board intends to continue to pursue the development and commercialisation of encapsulated living cell treatments for Huntington's disease, haemophilia and insulin-dependent diabetes.

3.2 LCT's Technology Platform

LCT's novel patented technology platform is based on a unique understanding of cell delivery systems, proprietary cell extraction and preparation processes, and the use of alginate encapsulation. It involves the implantation of healthy living cells into a patient to replace, repair or regenerate diseased or damaged organs. The alginate encapsulation cell delivery system isolates the transplanted cells from the patient's immune system which minimises or eliminates the need for toxic immuno-suppressant drugs.

LCT's products are based on living cells that are neither synthetically produced nor manufactured by genetic manipulation. An advantage of LCT's technology platform is that it allows for the selection of the most appropriate specialist cell source for the treatment of various diseases. For example, human liver donor cells are used for LCT's Fac8Cell product. The low prevalence of haemophilia and the ability of liver cells to reproduce naturally makes the use of human donor cells feasible for this product. In the case of diabetes however, because of the massive prevalence of the disease and the ineffectiveness of reproducing human pancreatic islets in the laboratory, LCT has trialed porcine cells for the DiabeCell treatment.

LCT is able to source human liver cells that are already ultra-screened for diseases before being delivered to LCT's facilities.

LCT has also secured the supply of a specific pathogen free pig herd to provide a source of suitable porcine donor cells.

Early success of LCT's technology platform has been demonstrated in authorised pilot human trials conducted in New Zealand in relation to diabetes sufferers. LCT has now embarked on pre-clinical trials for its NeurotrophinCell and DiabeCell products and, following the completion of this Offer, intends to commence pre-clinical trials of Fac8Cell. These trials are intended to support registration and commercialisation of its patented cell-based treatments.

3.3 LCT's Products

LCT's product portfolio currently consists of NeurotrophinCell, Fac8Cell and DiabeCell. A description of each of these products is set out below.

3.3.1 NeurotrophinCell

LCT's choroid plexus cell product, NeurotrophinCell, has the potential to treat neurodegenerative diseases (disorders of the nervous system) such as Huntington's disease and stroke. Choroid plexus cells are responsible for producing the fluids that surround and bathe the brain as well as supplying the nurturing and protective factors found in that fluid. LCT believes that NeurotrophinCell, when placed near damaged neural tissue, protects cells that would otherwise die.

The Disorders

Huntington's disease is a genetically inherited neuropsychiatric disorder that affects both body and mind. Symptoms most commonly begin between the ages of 30 and 50. It has no cure, nor treatment. Some 10 in every 100,000 people will develop Huntington's disease and each child of an infected parent has a 50 per cent chance of inheriting it. Clinical features of Huntington's disease are emotional, cognitive and motor disturbances with rapid deterioration in all three, progressing to severe dementia and eventually death.

Stroke is the third leading cause of death in the United States. Caused by an interruption of blood flow to the brain by a clot or broken blood vessel, there are currently no effective methods to treat the loss of function in patients once the "cascade" effects of cell death have begun.

Features and Benefits of NeurotrophinCell Product

Pre-clinical trials of NeurotrophinCell in stroke and Huntington's disease have been conducted by LCT in the United States and New Zealand, in part through collaboration with Dr Cesario Borlongan, Ph.D. of the Medical School of Georgia. Data from this study showed that choroid plexus cell transplants significantly decreased the behavioural defects caused by stroke and also reduced the volume of stroke damage to the brain by 35 to 40 per cent.

Similar data was also obtained in pre-clinical models of Huntington's disease.

This data is the first in the world to demonstrate the neuroprotective potential of transplanted choroid plexus cells. The novel nature of NeurotrophinCell is reflected in the breadth of LCT's intellectual property.

Intellectual Property

NeurotrophinCell is subject to two patents described in the Patent Attorney's Report in Section 8. Each of these applications is held by NeurotrophinCell Pty Ltd, a wholly owned subsidiary of LCT.

3.3.2 Fac8Cell

Fac8Cell is a liver cell product which is aimed at treating patients suffering from haemophilia.

The Disease

Haemophilia, the "bleeding disorder", has no cure and its current treatment (which uses intravenous clotting factors) has limited effect. Inadequate clotting factor levels lead to massive, life-threatening bleeding and long-term damage to a patient's joints.

It is one of the most expensive diseases to treat. To treat one patient using recombinant clotting factor costs, on average, more than A$100,000 per year.

According to the World Federation of Haemophilia, one in 17,000 males born in Australia has haemophilia. The disease has significant side effects, such as arthritic joints, and leads to premature death. Current therapy for haemophilia is both imperfect and expensive. Despite donor blood screening, plasma transfusion treatment retains the risk of unknown diseases.

Features and Benefits of Fac8Cell

Fac8Cell is expected to provide a continuous level of clotting factor in a manner similar to a healthy liver. The liver cells used by LCT function effectively for extended periods and when placed into a patient's body should provide a much-improved treatment. The continuous application of the clotting factors is expected to prevent damage to the joints of sufferers and avoid the long-term arthritic implications that result from the current treatments.

Intellectual Property

Fac8Cell is subject to three patent applications described in the Patent Attorney's Report in Section 8. Each of these patent applications are held by Fac8Cell Pty Ltd, a wholly owned subsidiary of LCT.

3.3.3 DiabeCell

DiabeCell is a porcine pancreatic cell product which the Board considers has the potential to revolutionise the treatment of diabetes.

The Disease
Diabetes is being described by the World Health Organisation as a global epidemic. The World Health Organisation states that by 2030 there will be 370 million people with diabetes. In the United States in 2002, diabetes cost US$132 billion to treat; the direct costs have more than doubled in the past five years. It is estimated that one in every ten health dollars spent in the United States is on someone with diabetes. These patients suffer diabetic side effects such as kidney failure, heart disease, impaired vision and limb amputation. Diabetes sufferers generally also have a 15 year shorter lifespan.

Injections or oral intake of insulin is an imperfect treatment for diabetes. There are significant and dangerous lifestyle and management issues related to the treatment. Even with frequent blood testing and numerous daily injections of the most advanced, long lasting insulin, many diabetes patients suffer life-threatening hyperglycaemia and all suffer chronic blood chemistry faults. These faults can cause secondary damage of small blood vessels that eventually can result in blindness, organ failure, nerve damage and early mortality.

Features and Benefits of DiabeCell
LCT's DiabeCell product is comprised of encapsulated pancreatic islets to treat insulin-dependent diabetes.

The significant prevalence of insulin dependent diabetes, combined with the lack of sufficient human islets and the proven clinical effectiveness of porcine insulin, makes porcine islets the cells of choice for treating diabetes. Porcine insulin has been used for the treatment of diabetes for over eighty years. LCT has exclusive access to a uniquely characterised and specific pathogen-free pig herd to provide a source of suitable porcine donor cells.

Authorised pilot clinical trials were conducted in New Zealand with six consenting diabetic patients. Patients who received porcine islets reduced their insulin usage within a range of 30 to 100 per cent and, significantly, reported radical improvement in their lifestyles.

Since the Diabetes Control and Complications Trial (DCCT) study completed by the NIDDK demonstrated that secondary disease complications of diabetes (e.g. organ failure) are the result of poor control, there is an expectation that DiabeCell will result in reduced hyperglycaemic events and therefore reduced long-term complications.

Intellectual Property
DiabeCell is the subject of seven patents and patent applications as described in the Patent Attorney's Report in Section 8.

These patents are held by DiaBCell Pty Ltd, a wholly owned subsidiary of LCT.

Commercial Products	Neuro-trophinCell Huntington's	Fac8Cell Haemophilia	DiabeCell Diabetes	Cell and Encapsulation Services
	2006/07	2006/07	2008/09	Q1-05 Sales Introduction
Clinical trials				
GLP and regulatory				
Large animal studies				
Pre-clinical studies Immuno-competent				
Pre-clinical studies Immuno-deficient				
Proof of principle studies				
Research				

3.4 Market Opportunity

Current medical treatments for cell loss from autoimmune, degenerative, inherited or traumatic conditions are unable to address the underlying cause of these diseases.

When functioning normally, many cells provide life-sustaining factors such as blood clotting factors and insulin.

But when they fail, injections, delivery pumps and even cutting-edge delivery methods are incapable of replicating the correct cellular function. The LCT technology platform enables, for the first time, a multitude of advanced products that use encapsulated living cells to replace, repair or regenerate diseased or damaged organs.

LCT plans to be in a position to offer a viable alternative treatment for diseases that are currently not being well managed. The Board believes that this will create a strong market demand for LCT's products.

3.5 Commercialisation Strategy

LCT's technology is considered by the Board to be relatively close to commercialisation and LCT intends to develop it in a way that captures the maximum value while managing cash flow and ongoing development costs through partnerships and licensing.

This demands a multi-pronged strategy, the key elements of which are as follows:

- protecting intellectual property;
- progressing the development of products through clinical trials, human clinical trials and then (subject to all regulatory approvals being obtained) to offer its products to patients through cell therapy centres;
- where the Board determines to be in the best interests of LCT:
  - out-licensing the development of products to international pharmaceutical companies; or
  - entering into strategic partnerships in relation to product development;
- undertaking further research to identify new products which have the potential to address significant, unsatisfied market requirements.

LCT plans to licence out NeurotrophinCell at an early stage of its development to a suitable pharmaceutical company. If such a licence arrangement is entered into, a revenue stream will become available to assist LCT in finalising the development of its Fac8Cell and DiabeCell products.

LCT further plans to offer its Fac8Cell and DiabeCell products to patients through cell therapy centres. It is planned that the initial cell therapy centre will be located in Adelaide, Australia, which will cater for:

- the application of Fac8Cell to haemophiliacs in 2006/07; and
- the application of DiabeCell to Type 1 diabetes in 2008/2009.

The Living Cell Treatment Centre will test the business model and, depending on its success, and as soon as regulatory approvals permit, it is then intended to replicate the Living Cell Treatment Centre business model in other Australian and international markets through licensing agreements. This approach has been employed successfully by life science companies producing products such as hearing implants and other devices where no alternative distribution channels were available.

Shareholders should appreciate that in order to implement the above commercialisation strategy; LCT will require additional funding beyond that which will be raised through this Offer, as referred to in the Risk Factors Section of this Prospectus (Section 9).

3.6 Location and Facilities

LCT's head office is in Adelaide, Australia, its research and technology unit is in Auckland, New Zealand and its product development and regulatory unit is in Rhode Island, United States.

LCT's research laboratory facilities in Auckland are located within a complex constructed specifically for the use of pharmaceutical companies. At this location, Diatranz New Zealand Limited (a wholly owned subsidiary of LCT) has specialist medical facilities, clean rooms and laboratories. These facilities provide islets and other cells for clinical testing and subsequent operations as well as continuing research.

LCT has established a subsidiary in the United States called LCT BioPharma Inc. LCT BioPharma is the product development arm of LCT and provides the management of pre-clinical studies and clinical trials as well as managing LCT's regulatory relationship with the US Food and Drug Administration ("FDA").

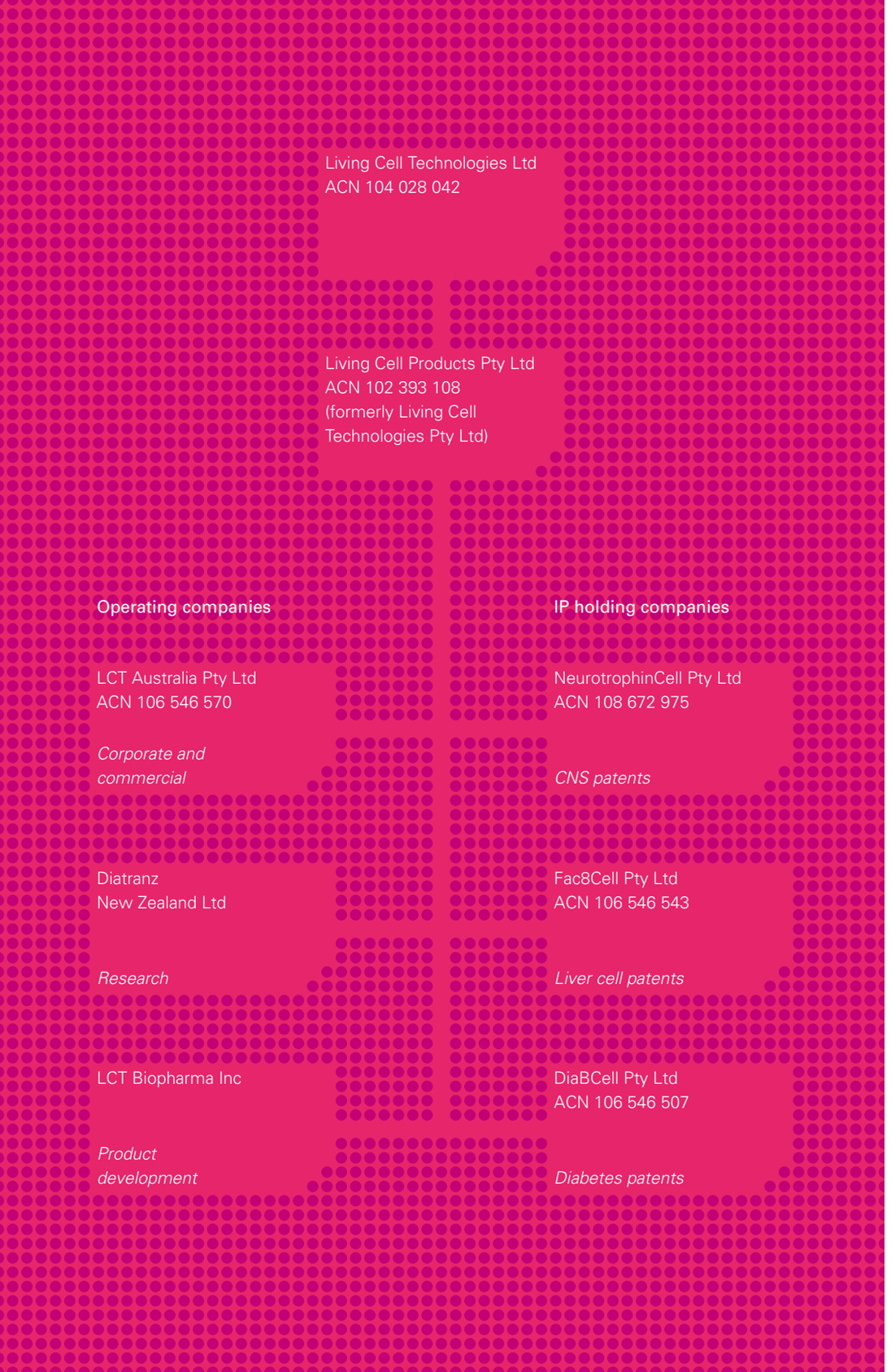
Operations in the United States are considered important by LCT as they not only assist in product development and implementation, but also facilitate dealings with European and US regulators such as the FDA. The importance of meeting FDA regulations lies in the fact that they are a template for international regulatory agencies worldwide. LCT BioPharma has engaged a team of specialists experienced in taking novel cell therapy products through the development phase and regulatory hurdles as well as through the clinical phase in preparation for partnering and commercialisation.

To support the commercialisation of its treatments, LCT has built a cell characterisation and testing capability that has been identified by the United States Secretary's Council on Xenotransplantation (SACX) as one of the most advanced in the world.

LCT's alginate encapsulation technology has been developed in an alliance with the University of Perugia in Italy. The University of Perugia has entered into an exclusive contract for the supply of purified alginate with LCT.

3.7 Operational Structure

LCT's operations are carried on through wholly owned subsidiaries, as detailed in the diagram set out overleaf:



4.1 Board of Directors

LCT has assembled a Board of Directors with the appropriate amalgam of skills and experience. The Board intends to appoint a highly qualified industry expert to the position of Chief Executive Officer within approximately eight months after the date of this Prospectus. The role and responsibilities of the Board are summarised in Section 4.4 below. Particulars relating to the Directors are:

Mr Michael Yates (54) BA(Hons) Leeds University UK, Chairman

Mr Mick Yates is a globally experienced CEO, having spent almost 30 years working for multinationals in Europe, the United States and across the Asia Pacific region. Mr Yates is based in the United Kingdom.

After completing his BA at Leeds University, Mr Yates was employed by Procter & Gamble for 22 years and had been Regional Vice President based in Hong Kong and Japan. In 1996 he joined Johnson & Johnson as "Company Group Chairman, Asia-Pacific Consumer business" based in Singapore where he was responsible for 14 different operating companies, more than 4,500 staff and annual sales of over $A1billion.

In his senior management positions, Mr Yates was responsible for widespread international teams, profit, sales, marketing, manufacturing and organisation.

He also has had wide experience in company restructuring and innovation and new product programs. Mr Yates resigned from Johnson & Johnson in 2001 to return to the UK where he set up his own leadership advisory company "Visionary Thinking" which specialises in strategic innovation and deployment for global companies.

Mr Yates is currently involved with several management, technology & strategy consultancy groups, including being a Director of the Bath Consultancy Group in the UK and a Director of Xcelerator's biotechnology incubator (Sydney, Australia). He was also a member of Cap Gemini, Ernst & Young's Centre for Business Innovation's "Innovation Partnership" (Cambridge, USA).

Mr Yates is a member of the Board of Trustees of Save the Children (USA), a member of the Board of Save the Children Korea, and a Chief Advisor to the Save the Children Global Alliance.

Simon O'Loughlin (47), BA Acc, Non Executive Director
Simon O'Loughlin is a legal practitioner with over 25 years experience as a corporate and commercial solicitor. He has had extensive involvement in the corporate world, especially in relation to the formation, structuring and listing of small to medium sized companies. Simon is a director of Hindmarsh Resources Ltd, Petratherm Ltd and Challenge Recruitment Ltd. In recent times he has been a director of Gowit Ltd (now Agincourt Resources Ltd) and Waymouth Resources Ltd. Simon is a past President of the Save the Children Fund (SA Division) and a past Chairman of Taxation Institute of Australia (SA Division).

Professor Robert Bartlett Elliott (70), MBBS, MD, FRACP, Medical Director
Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Department of Paediatrics at the University of Auckland.

Professor Elliott co-founded LCT. He is an Emeritus Professor of Child Health research, Professor of Paediatrics and a world leader in diabetes and autoimmune related research. Professor Elliott is on the board of the New Zealand Child Health Foundation and the Wings Trust (a NZ trust for the treatment of alcohol and substance abuse). He is also patron of the NZ Cystic Fibrosis Foundation. In 1999 he was awarded a CNZM (a Companion of the New Zealand order of merit) for services to the community.

Mr David Collinson (55), Executive Director (CEO)
Mr Collinson is a New Zealand company director who, with Professor Robert Elliott, founded LCT's research and development activity in 1987 when his son became diabetic at the age of two. Mr Collinson has contributed a substantial amount of private capital to the establishment of LCT and has been instrumental in raising further funding for the development and growth of LCT. He has been the driving force behind the international development of the company.

Mr Collinson is a director of J Collinson Ltd. He also founded the New Zealand textile importers institute.

Mr Roger Glen Coats (42), Executive Director (COO)
Mr Coats was educated in Adelaide. He has extensive experience in corporate finance and financial markets. He joined LCT in 2002 specifically to provide the company with expertise in finance and administration, capital raising and capital structuring. Mr Coats previously held senior positions in Europe and Sydney with some of the world's largest financial organisations, including Merrill Lynch, Hambros, ABN AMRO and BNP Paribas.

Mr Coats specialised in capital markets, debt origination and risk management. He has been instrumental in the preparation and structuring of LCT's capital raising.

4.2 Management

The Board is supported by a management team that has extensive scientific and commercial experience. The team comprises the following:

Mr Alfred V. Vasconcellos (48) BSc, MB (Northwestern University)
Mr Vasconcellos heads LCT's US division - LCT BioPharma Inc. Prior to joining LCT BioPharma, Mr Vasconcellos was President and CEO of Sertoli Technologies Inc. Mr Vasconcellos established the strategic market development department for Pfizer in New York and headed the research and development program for the anaesthesia and surgical care division of Kendall. In 1996 he was Chief Operating Officer of ETEX and in 1988 was co-founder of CytoTherapeutics Inc.

Dr. Paul Tan (56) MB, BS, FRACP
Dr Tan is head of LCT's New Zealand operations. Dr Tan was previously CEO of CenTec Ltd and founding Deputy Director and head of health division at Genesis Research & Development Corporation Ltd. He has had wide experience on all aspects of assessment and selection of products for commercialisation, expansion of intellectual property, product development and managing critical paths timelines and establishing and managing international partnerships. Dr Tan has been research fellow, associate professor in immunology and a physician rheumatologist and worked in Canada, Australia, Singapore and New Zealand. He holds patents relating to the therapeutic uses of microbial products.

Dr Olga Garkavenko (44) PhD
Divisional Manager Advanced Cell Materials and Head of Virology: Strategic design of cell biology research using advanced molecular biology tests for cell growth and differentiation. Dr Garkavenko holds a master of science MS (honours) in biochemistry from Kiev State University and has a PhD in from the Ukrainian Academy of Science at the Institute of Oncology (Kiev, Ukraine).

Nominated as International Scientist and International Health Professional for the year for 2004 by the International Biographical Centre in Cambridge, Dr Garkavenko is a member of the Transplantation Society of Australia and New Zealand, American Society of Microbiology, International Transplantation Society and International Xenotransplantation Association. In 1987, as Head of the Biomedical Research Department at the International Humanitarian Centre for the Rehabilitation of Victims of the Chernobyl Disaster, Dr Garkavenko initiated research programs focused on diagnostic immune deficiencies in children.

Dr Livia Escobar (50) MD
Divisional Manager Cell Production: Advanced techniques for cell production and encapsulation. Dr Escobar holds a medical degree MD, a bachelor in human biology and a diploma in paediatrics from the University of Chile and has worked in the field of cell transplant technology since 1987.

Dr Stephen Skinner (59) BSc(Hons), PhD (Southampton)
Divisional manager Non diabetes Products: Conceptual design for replacement therapy (xenotransplant) for neurodegenerative and lung diseases. Dr Skinner joined Diatranz from AgResearch, New Zealand and before that was in the Department of Paediatrics at Auckland University. He has spent several years in North America, at Harvard, Stanford and Toronto Universities and at Syntex Pharmaceuticals.

Dr A Ferguson (65) BVSc, MRCVS, B.Agr
Veterinarian responsible for the management and health of special purpose pathogen-free pigs, and production of high quality porcine cells for LCT research and development programs. Dr Ferguson is a member of the Royal College of Veterinary Surgeons, the New Zealand and British Veterinary Associations.

Dr Dwaine F. Emerich (45) MS, PhD (neuroscience)
Dr Emerich is Vice President of research at LCT BioPharma Inc. He joined LCT from Sertoli Technologies Inc. where he was VP of Research leading the company's research efforts to develop and commercialise Sertoli-based cell products. Prior to this he was Director of Biological research for Alkermes Inc and CytoTherapeutics Inc. Dr. Emerich has contributed to some 150 scientific articles.

He currently is a member of several scientific journal editorial boards and has lectured across the United States and Europe. Dr. Emerich also completed a post-doc in Psychiatry from the University of Cincinnati.

Dr Moses Goddard (54) BA, MD
Dr. Goddard is Vice President of operations and medical affairs at LCT BioPharma Inc. He joined LCT from Sertoli Technologies Inc. where he served as Vice President of Regulatory and Medical Affairs. He has extensive experience in product development, cell sourcing, GLP pre-clinical studies, regulatory and clinical affairs. Dr Goddard maintains an appointment as Associate Professor of Surgery in the graduate and medical schools at Brown University (Rhode Island).

4.3 Scientific Panel

LCT has a scientific panel whose charter is to overview the scientific work carried out by LCT and advises the Board in relation to:

> scientific developments and improvements,
> regulatory matters associated with the science;
> the feasibility of commercialisation of research conducted by LCT;
> patents and other intellectual property developments.

The current members of the Scientific Panel are:

Dr John M Court MB, BS, FRACP (Chair)
Dr Court currently has a private consultant practice in paediatric and adolescent medicine in Melbourne and is also a consultant at the Royal Children's Hospital Melbourne. He has been Director of Diabetes Services, Director of the Department of Adolescent Medicine and Senior Physician at the Royal Children's Hospital in Melbourne, First Assistant University of Melbourne and acting professor, department of Paediatrics. He has held consultant and teaching positions at the University of London, and as a paediatric endocrinologist at London's Middlesex hospital. He was Editor in Chief of the Journal of Paediatrics (previously Australian Paediatric Journal) for 25 years until 2000.

Professor Robert Bartlett Elliott MBBS, MD, FRACP
Professor Elliott is medical director and co-founder of LCT (see section 4.1)

Professor Robert Seamark BAgSc, PhD
Professor Seamark is a leading figure in Australian biotechnology. Author of more than 200 scientific papers in International journals and seven commercial patents, he spent most of his career as Senior Lecturer/Reader in Endocrinology in the Department of Obstetrics and Gynaecology at the University of Adelaide.

In 1995 he moved to Canberra to establish and direct the national Cooperative Research Centre for the Biological Control of Pest Animals, returning to Adelaide, in 2001, to become Director and Chair of the Advisory Board of The Flinders Medical Research Institute. Professor Seamark is active as a consultant to biotech companies with a strong focus on the commercialisation of leading edge medical, veterinary and environmental technologies.

Dr Jennifer Couper MBChB, MD, FRACP
Dr Couper is director of Diabetes and Endocrinology at the Women's and Children's Hospital, South Australia and Associate Professor in Paediatrics, University of Adelaide. She has more than 60 peer reviewed publications in childhood diabetes research and is a past councillor of the Australian Diabetes Association and member of the professional advisory body of Juvenile Diabetes Foundation Australia.

Dr John Graham MBBS, FRACP
Dr Graham is owner/director of the Ashford International Research Centre, an Adelaide-based independent clinical trial research centre dedicated to pre-registration clinical trials. Dr Graham also established the first Australian privately-funded diabetes education centre. He trained in endocrinology at the Royal Adelaide hospital and Flinders Medical Centre.

4.4 Corporate Governance

Role of the Board

The Board is responsible for the direction and supervision of the LCT's business on behalf of Shareholders. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability.

The Board's primary functions include responsibility for:

> formulating and approving objectives, goals and strategic direction for management;
> formulating and approving policies governing the operations of LCT;
> monitoring the financial performance of the Company including adopting annual budgets and approving expenditure;
> ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
> selecting, appointing and reviewing the performance of each of the executive directors and reviewing the performance of senior operational management; and
> establishing and determining the powers and functions of the committees of the Board including the Audit Committee, the Remuneration committee, and the Compliance Committee.

The Board shall regularly review its own performance and the procedures of the Board.

Appointment and Retirement of Directors

Currently, all Directors are required to be re-elected at least every three years and at least one-third of directors must retire, and may stand for re-election, at each annual general meeting. In the interests of ensuring a continual supply of new prospectives to the board, non-executive directors are expected to serve for a maximum of 3 terms, except for the Chairperson who may serve an additional term in that role.

Remuneration Arrangements for Directors and Senior Executives

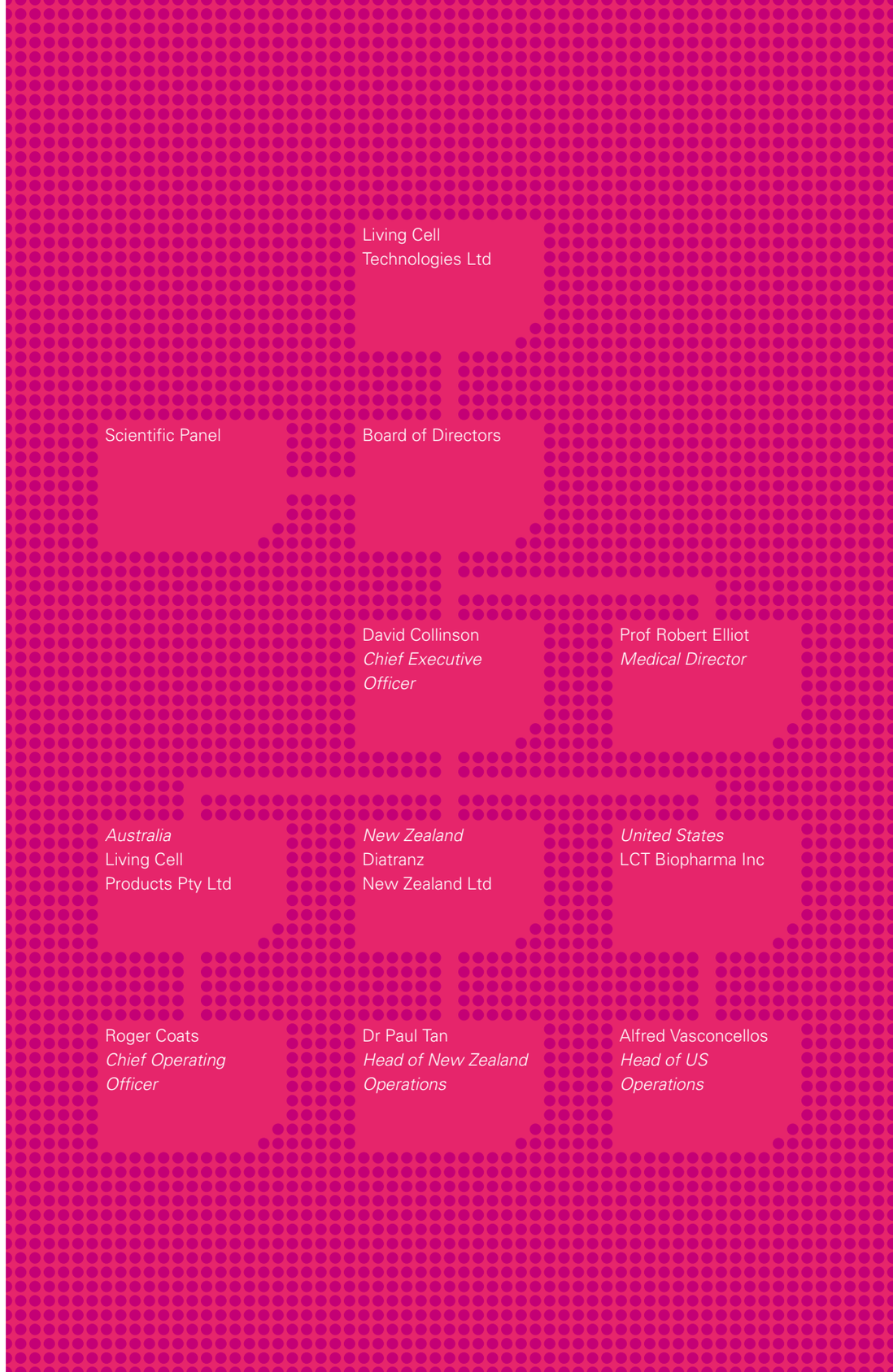
A remuneration committee will be formed comprising at least one independent Director. It is intended that the Remuneration Committee will not comprise any executive directors. This committee is responsible for:

> setting policies for the remuneration of Directors and other senior executives; and
> reviewing the executive directors' performance.

Compliance Committee

The Compliance Committee will be formed comprising at least one independent Director, an executive director, the Company Secretary and the executive with line authority for compliance matters. The Committee's responsibilities include:

> reviewing and approving corporate compliance policies;
> overseeing the implementation of the corporate compliance system;
> certifying that LCT is complying with its legal obligations.



This Prospectus is accompanied by an Entitlement and Acceptance Form and an Application Form. Shareholders wishing to apply for Shares pursuant to the Rights Issue are only required to complete the Entitlement and Acceptance Form (see section 5.1 below). Investors wishing to apply for Shares pursuant to the General Issue are only required to complete the Application Form (see section 5.2 below).

5.1 Rights Issue Participation - Action required by Shareholders

The number of Rights Issue Shares to which Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form. Shareholders may also apply for Additional Shares by completing the "Additional Shares" section of the Entitlement and Acceptance Form. Please carefully read the instructions on the Entitlement and Acceptance Form. Shareholders may take the following action:

If You Wish to Take Up All of Your Entitlement

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in that form. Forward your completed Entitlement and Acceptance Form together with your cheque or bank draft for the amount shown on the Entitlement and Acceptance Form to reach LCT's Share Registry no later than close of business on 23 June 2004.

If You Wish to Take Up Part of Your Entitlement

Complete the accompanying Entitlement and Acceptance Form in respect of the number of Rights Issue Shares you wish to take up in accordance with the instructions set out in that form. Forward your completed form together with your cheque or bank draft for the amount due in respect of the number of Rights Issue Shares that you wish to take up to reach LCT's Share Registry no later than close of business on 23 June 2004.

If You Wish to Take Up Additional Shares

Complete the "Additional Shares" section of the Entitlement and Acceptance Form in accordance with the instructions set out in that form for applying for Additional Shares. Forward your completed Entitlement and Acceptance Form together with your cheque or bank draft for the amount shown on the Form to reach LCT's Share Registry no later than close of business on 23 June 2004.

Entitlements Not Taken Up

If you decide not to accept all or part of your Entitlement to Rights Issue Shares, your Entitlement to the New Shares will lapse. If you do not accept your Entitlement then the Rights Issue Shares represented by your Entitlement will either be taken up by other Shareholders (see Section 2.5), investors pursuant to the General Issue or, subject to the Underwriting Agreement, taken up by the Underwriter and you will receive no benefit in relation to those Rights Issue Shares.

Payment

Acceptance of Rights Issue Shares and applications for Additional Shares must be accompanied by payment in full of the total price of A$0.20 (or NZ$0.23) per New Share.

Payments will only be accepted in Australian or New Zealand currency and as follows:

> bank cheque drawn on and payable at any Australian or New Zealand Bank;
> personal cheques drawn on and payable at any Australian or New Zealand Bank.

Cheques or bank cheques should be made payable to "Living Cell Technologies Ltd Prospectus Account" and crossed "Not Negotiable". Shareholders must not forward cash.

Completed applications should be sent to:

Australia

Computershare Investor
Services Pty Limited
GPO Box 1903 Adelaide
South Australia 5001
Australia

New Zealand

Computershare Investor
Services Pty Limited
Private Bag 92119
Auckland 1030
New Zealand

5.2 General Issue Participation - Action required by investors who are not Shareholders

How to Apply

To apply for Shares under the General Issue, you must:

> complete the accompanying Application Form in accordance with the instructions set out in that Form; and
> forward your completed Application Form together with your cheque or bank draft for the amount shown on the form to reach LCT Share Registry by no later than close of business on 23 June 2004.

Minimum Application

Applications must be for a minimum of 10,000 Shares (A$2,000). Applications for more than 10,000 Shares must be in multiples of 100 Shares.

Payment

Applications for General Issue Shares must be accompanied by payment in full of the total price of A$0.20 (or NZ$0.23) per General Issue Share.

Payment will only be accepted in Australian or New Zealand currency and as follows:

> bank cheque drawn on and payable at any Australian or New Zealand bank;
> personal cheques drawn on and payable at any Australian or New Zealand bank.

Cheques or bank cheques should be made payable to "Living Cell Technologies Ltd Prospectus Account" and crossed "Not Negotiable". Applicants must not forward cash.

Completed applications should be sent to:

Australia
Computershare Investor
Services Pty Limited
GPO Box 1903 Adelaide
South Australia 5001
Australia

New Zealand
Computershare Investor
Services Pty Limited
Private Bag 92119
Auckland 1030
New Zealand

5.3 Enquiries

For further information or assistance in completing your Entitlement and Acceptance Form or Application Form please contact:

Computershare Investor
Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
Telephone: 1300 556 161
Facsimile: (08) 8236 2305
Email: web.queries@
computershare.com.au

6.1 Introduction

This section provides historical financial information of the Living Cell Technologies Group for the period ended 31 January 2004 and a pro forma balance sheet at the completion of the capital raising associated with the prospectus. The pro forma balance sheet has been adjusted for the expected financial impact of the issue.

The historical and pro forma financial information should be read in conjunction with the Investigating Accountants Report prepared by Grant Thornton in Section 6. The historical financial information has been extracted from the financial statements of Living Cell Technologies Ltd (formerly Waymouth Resources Ltd) for the 6 months ended 31 December 2003 which have been reviewed by PKF Chartered Accountants and unaudited consolidated financial statements for the Living Cell Technologies Group for the period ended 31 January 2004.

The information contained in the financial statements to 31 December 2003 incorporates the transactions of Waymouth Resources Ltd prior to its acquisition of Living Cell Products Pty Ltd on 15 January 2004.

6.2 Historical Performance

Statement of financial performance of Living Cell Technologies Ltd for the 6 months ended 31 December 2003 extracted from the reviewed financial statements and the unaudited consolidated statement of financial performance of the Living Cell Technologies Group for the period ended 31 January 2004

	30 June 2003 $	6 months to 31 December 2003 $	Period to 31 January 2004 $
Revenue from ordinary activities	68	4,400	(249)
Employee benefits expense	-	-	(43,361)
Depreciation and amortisation expense	-	-	(4,533)
Lease expenses	-	-	(354)
Write down of goodwill on consolidation	-	-	(8,150,100)
Other expenses from ordinary activities	(3,667)	(54,787)	(57,591)
Borrowing costs expense	(10)	-	(1,999)
Profit (Loss) from ordinary activities before income tax expense (income tax revenue)	(3,609)	(50,387)	(8,258,187)
Income tax revenue (income tax expense) relating to ordinary activities (see Note 1)	-	-	-
Profit (Loss) from ordinary activities after related income tax expense (income tax revenue)	(3,609)	(50,387)	(8,258,187)
Total changes in equity other than those resulting from transactions with owners as owners	(3,609)	(50,387)	(8,258,187)

6.3 Historical and Pro Forma Financial Position

The following financial information sets out extracts from the historical statements of financial position and pro forma statement of financial position and should be read in conjunction with the Investigating Accountants Report.

The statement of financial position as at 31 December 2003 has been extracted from the reviewed financial statements.

The statement of financial position as at 31 January 2004 is an unaudited consolidation of the entities in the Living Cell Technologies Group.

The pro forma statement of financial position has been adjusted for the impact of the Offer as well as material financing transactions entered into from the 31 January 2004 until the date of this Prospectus. The pro forma adjustments are as follows:

- the issue of 326,755 ordinary shares to contractors on 29 March 2004
- an adjustment to reflect the unaudited cash position of the Group as at 30 April 2004
- the issue of $250,000 convertible notes in April and May 2004 and subsequent conversion of the convertible notes to ordinary share capital
- the issue of 24,128,829 ordinary shares for consideration of $4,825,766 in accordance with the Rights Issue
- payment of expenses related to the Rights Issue, estimated to be $477,000
- repayment of $680,129 to the holders of B class convertible notes
- the issue of 10,000,000 ordinary shares for consideration of $2,000,000 in accor dance with the General Issue
- payment of $100,000 in expenses relating to the issue of 10,000,000 ordinary shares pursuant to the General Issue

Statement of Financial Position

	31 December 2003 $	31 January 2004 $	Consolidated Pro forma Balance $
Current assets			
Receivables	11,866	190,051	190,051
Cash assets (see Note 2)	1,165,564	1,192,794	5,719,139
Inventories	-	11,835	11,835
Prepaid expenses	-	184,248	184,248
Total current assets	**1,177,430**	**1,578,928**	**6,105,273**
Non-current assets			
Investments	1,133,009	-	-
Property, plant and equipment	-	691,270	691,270
Total non-current assets	**1,133,009**	**691,270**	**691,270**
Total assets	**2,310,439**	**2,270,198**	**6,796,543**
Current liabilities			
Payables	4,667	335,655	168,958
Provisions	-	14,733	14,733
Total current liabilities	**4,667**	**350,388**	**183,691**
Non-current liabilities			
Convertible notes (see Note 3)	-	896,265	216,136
Total non-current liabilities	**-**	**896,265**	**216,136**
Total liabilities	**4,667**	**1,246,653**	**399,827**
Net assets	**2,305,772**	**1,023,545**	**6,396,716**
Equity			
Contributed equity (see Note 4)	2,359,768	9,305,903	15,870,420
Accumulated losses	(53,996)	(8,296,865)	(9,488,211)
Foreign exchange translation reserve	-	14,507	14,507
Total equity	**2,305,772**	**1,023,545**	**6,396,716**

6.4 Notes to the Financial Information

Note 1 Income Tax

	31 December 2003 $	31 January 2004 $
The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(15,116)	(2,477,456)
Add:		
Tax effect of:		
> write down of goodwill	-	2,445,030
Deduct:		
Tax effect of:		
> future income tax benefit of tax losses and timing differences not brought to account	14,300	32,426
> permanent differences	816	-
Income tax expense (benefit) attributable to loss from ordinary activities.	-	-
Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility occur.		
> tax losses	14,300	164,101
> timing differences	-	105,861
	14,300	**269,962**

Note 2 Cash Assets

	31 December 2003 $	31 January 2004 $	Consolidated Pro forma Balance $
Cash at bank	21,401	160,973	5,719,139
Deposits at call	1,144,163	1,031,821	-
	1,165,564	**1,192,794**	**5,719,139**

Note 3 Interest Bearing Liabilities - Convertible Notes

	31 December 2003	31 January 2004	Consolidated Pro forma Balance
	$	$	$
B Class	-	680,129	-
C Class	-	216,136	216,136
D Class	-	-	-
E Class	-	-	-
	-	**896,265**	**216,136**

The holder of the B and C Class notes is the Avery Foundation (New Zealand).

B Class convertible notes bear interest of 5% per annum to be paid annually. The Avery Foundation can convert the notes to ordinary shares at an issue price of $0.21 at any time before the earlier of:

> 21 business days after Living Cell Technologies Ltd raises increments of $1million up to $6 million
> 15th July, 2008

Where the company raises equity capital of $1m or more from the 15th January, 2004, the Avery Foundation has 21 days from the time the company advises of the capital raising to convert the notes to ordinary shares. If the Avery Foundation chooses not to convert the B Class convertible notes to ordinary shares, the company will automatically redeem 1 B Class convertible note for every $1million raised.

C Class convertible notes bear interest of 5% per annum which can be converted to ordinary shares at an issue price of $0.21. The Avery Foundation can convert the notes to ordinary shares at an issue price of $0.21 at the earlier of:

> 5 business days after Living Cell Technologies Ltd raises $8 million
> 15th July, 2008.

D Class convertible notes have been issued to the underwriter, Taylor Collison Ltd, in April 2004.

E Class convertible notes are to be issued in May 2004.

D and E Class convertible notes bear interest of 11% per annum to be paid quarterly from 1 July 2004 and have a term of 3 years. The notes will be automatically converted to ordinary shares if the company raises $2.5 million and receives approval to list on the Australian Stock Exchange Ltd. The convertible notes will be converted to ordinary shares at the same price that investors will pay when the company initially raises capital on the Australian Stock Exchange Ltd. The notes can be converted at any time during the 3 year term at the lower of $0.20 per share and the price paid by investors in the last capital raising prior to the conversion.

Note 4 Contributed Equity

	31 December 2003 $	31 January 2004 $	Consolidated Pro forma Balance $
Fully paid ordinary shares	2,359,768	9,305,903	15,869,420
	2,359,768	**9,305,903**	**15,869,420**

Shares issued	Number	Issue price $	Total $
17 March 2003	1	nil	-
11 April 2003	499,999	0.00001	4
8 May 2003	187,500	0.16	30,000
17 September 2003	12,100,000	0.20	2,420,000
Less: costs of raising capital			(90,236)
Balance at 31 December 2003			**2,359,768**
15 January 2004	35,143,402	0.20	7,028,680
Less: costs of raising capital			(82,545)
Balance as at 31 January 2004	47,930,902		**9,305,903**
Pro forma transactions:			
> share issue to contractors	326,755	0.20	65,351
> prospectus Rights Issue	24,128,829	0.20	4,825,766
> prospectus General Issue	10,000,000	0.20	2,000,000
> conversion of D and E convertible notes to ordinary shares			250,000
> Less: expected costs of raising capital			(576,600)
Pro forma balance			**15,870,420**

Note 4 Contributed Equity (continued)

As at the date of this Prospectus, share options existed which if exercised would result in the issue of 13,536,150 fully paid shares.

	Expiry Date	Exercise Price $	Number of Options
Underwriter options	30 June 2008	0.22	1,000,000
Class A options	30 June 2010	0.21	3,812,500
Class B options	30 June 2010	0.21	8,723,650
			13,536,150

Note 5 Commitments

Capital expenditure commitments

As at 31 January 2004, the consolidated entity Living Cell Technologies Ltd, had no material capital expenditure commitments.

Operating lease commitments

Non-cancellable operating leases contracted for but not in the financial statements

Payable:	$NZ
not later than 1 year	62,000
later than 1 year but not later than 5 years	48,000
later than 5 years	84,000
	194,000

There are two property leases. The first lease is a non-cancellable lease with a 2 year term with an option to renew for a further 2 years ending in January 2005, with rent payable monthly in advance. The owner of the property has indicated that he is willing to extend the lease for a further 5 years.

The second property lease is a non-cancellable lease with a 6 year term ending in November 2009 with an option to renew for a further 6 years, with rent payable monthly in advance. Rent reviews will be performed every 2 years.

Note 6 Contingent assets and liabilities

As at 31 January 2004, the consolidated entity Living Cell Technologies Ltd, had no material contingent assets and liabilities.

Note 7 Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless stated.

Transactions with related parties:

Director-related Entities

Pancell Ltd, a New Zealand company, whose directors and shareholders are Robert Elliott, David Collinson and Sandy Ferguson supplies Auckland Island pig cells to the Living Cell Technology Group. The Living Cell Technology Group finances the activities of Pancell Ltd with a monthly payment of $A12,000.

An option to purchase the assets or shares of Pancell Ltd by LCT Products Pty Ltd (formerly Diatranz Australia Pty Ltd) has been signed with consideration being $NZ300,000 plus GST.

At 31 January, 2004 an amount of $A46,104 had been loaned to Pancell Ltd from the Living Cell Technology Group. The loan is interest free unless conditions relating to the option to purchase assets or shares of Pancell Ltd are triggered.

An additional amount of NZ$50,000 will be loaned interest free to Pancell Ltd on completion of the fundraising until the business of Pancell Ltd is acquired by the Living Cell Group.

Enzpharm Ltd, whose directors are Robert Elliott and David Collinson, as at 31 January, has a liability to the Living Cell Technology Group of $A1,744.

Directors

Directors, and director-related entities hold directly, indirectly or beneficially as at 31 January, 2004 the following equity interests in Living Cell Technologies Ltd:

	Number	$
Ordinary shares	9,012,162	1,802,432
A class options over ordinary shares	1,275,000	
B class options over ordinary shares	4,470,320	

Directors and their related entities did not acquire or dispose of any ordinary shares or options in the period 31 January, 2004 to the date of the prospectus.

Note 8 Events Subsequent to 31 January 2004

The following events subsequent to 31 January 2004 have been reflected in the pro forma balance sheet:

> On March 2004, 326,755 ordinary shares were issued to contractors
> In April 2004, $150,000 D Class convertible notes have been issued to the underwriter, Taylor Collison Ltd
> In May $100,000 E Class convertible notes are to be issued.

There are no further subsequent events that require specific disclosure.

13 May 2004

The Directors
Living Cell Technologies Limited
160 Greenhill Road
Parkside SA 5061

Dear Sirs,

6.5 Independent Accountant's Report on Reviewed Historical Financial Information

Introduction
We have prepared this Independent Accountant's Report (report) on the historical information of Living Cell Technologies Ltd (the Company) for inclusion in a Prospectus dated on or about 13 May 2004 relating to the following proposed transactions:

> A non-renounceable underwritten Rights Issue of 24,128,829 Ordinary Shares in the Company at 20 cents each;
> A Public Issue of 10,000,000 Ordinary Shares in the Company at 20 cents each; and
> Subject to the Underwriting Agreement, the issue of 1,000,000 Options to acquire Ordinary Shares in the Company at 22 cents each to Taylor Collison Limited.

The Company also intends to make an application to have its shares listed on the Australian Stock Exchange as part of the transaction.

The Prospectus refers to a Private Placement of Ordinary Shares that the Company may undertake prior to the Rights Issue and the Public Issue. As the Private Placement is neither certain nor a commitment, it has not been incorporated into the pro forma balance sheet attached as Appendix I to this report. The need to raise the funds for working capital purposes is critical to the Company.

Grant Thornton

Level 1
67 Greenhill Road
Wayville SA 5034

GPO Box 1270
Adelaide SA 5001

DX 275 Adelaide

Tel 08 8372 6666
Fax 08 8372 6677
E-mail info@gtwa.com.au
Web site
www.grantthornton.com.au

A South Australian
Parnership -
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Thornton Association Inc.

The Australian Member
of Grant Thornton
International

Expressions referred to in the Prospectus have the same meaning in this report.

Background
The Company was incorporated on 17 March 2003 as Waymouth Resources Limited and listed on the Newcastle Stock Exchange on 2 October 2003. Waymouth Resources acquired 13.9% of the issued share capital of Living Cell Technologies Pty Ltd on 15 October 2003.

Pursuant to an agreement approved at a shareholders meeting on 15 January 2004 the Company acquired the remaining 86.1% of the issued share capital of Living Cell Technologies Pty Ltd that it did not already own. Waymouth Resources Limited changed its name to Living Cell Technologies Limited (LCT) at the same shareholders meeting.

LCT develops and markets treatments for Huntingtons disease, diabetes and haemophilia. The Company's technology is based on the use of a transplantation process using living cells placed within an immune barrier to treat the aforementioned diseases.

Living cell techniques are similar to blood transfusion and bone marrow transplants in that they involve taking a cell from one body and transplanting it to another. Through extensive research using living cell techniques, the Company now has three products that it hopes to take to market for the treatment of Huntingtons disease, haemophilia and diabetes.

LCT's commercialisation strategy is to progress the development of its products through the completion of pre-clinical trials, human clinical trials and then (subject to regulatory approvals being obtained) to offer its products to patients through cell therapy centres.

PKF Chartered Accountants performed a review of the Company's financial statements at 31 December 2003 and issued an unqualified review opinion.

Pursuant to a Services Agreement dated 1 November 2003, the Company issued 326,755 Ordinary Shares to Alfred Vasconcellos, Moses Goddard and Dwaine Emerich on 29 March 2004 in consideration for services provided to the Company.

The Company issued $150,000 of Convertible Notes to Taylor Collison Limited on 15 April 2004 ($150,000 D class) and expects to issue a further $100,000 of E class Convertible Notes in May 2004. These funds were to be used for working capital purposes. These Notes automatically convert to Ordinary Shares after the Company raises equity of $2.5 million. A 5% Arrangement Fee was incurred in the issue of these instruments.

On 17 October 2003 the Company issued Convertible Notes in the sum of $896,265, being $680,129 B class Convertibles and $216,136 C class Convertibles. The B class Convertible Notes become repayable in instalments of $113,355 as the Company raises each additional $1 million of equity, to a cap of $6 million when they become fully repaid. The C class Convertible Notes ($216,136) become repayable on the earlier of the Company raising $8 million in equity or 21 July 2008.

The Directors of the Company have disclosed in the Prospectus that they intend to raise funds through Private Placement of the order of $700,000 to fund the working capital of the business until the intended date of closure of the Prospectus, anticipated to be 12 July 2004. The receipt of these funds is of vital importance in ensuring that the Company can continue to fulfil its obligations during this period.

Scope

You have requested Grant Thornton to prepare a report covering the following information.

> The unaudited historical performance of the Company for the period ended 31 January 2004.
> The historical Statement of Financial Position as at 31 January 2004 and the consolidated Pro forma Statement of Financial Position as at 31 January 2004, which assumes completion of the contemplated transactions disclosed in the Prospectus and is detailed in Appendix I of this report.

Review of Pro forma Historical Financial Information

The historical information set out in Appendix 1 to this report has been extracted from the unaudited financial statements of the Company as at 31 January 2004.

In respect to the historical financial information, the Directors of the Company are responsible for the preparation of historical financial information including determination of the adjustments.

We have conducted our review of the historical financial information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We have made such enquiries and performed such procedures as we in our professional judgement, consider reasonable in the circumstances including:

> analytical procedures on the unaudited financial performance of the Company for the relevant historical period;
> a review of accounting records, work papers and other documents;
> a review of the assumptions used to compile the Pro Forma Statement of Financial Position;
> a review of adjustments made to the pro forma historical financial information;

> a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company; and
> enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit thus the level of assurance provided is less than given in an audit and accordingly we do not express an audit opinion.

Conclusion

Review Statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

> the pro forma Statement of Financial Position and accompanying notes and assumptions has not been properly prepared on the basis of the pro forma transactions.
> The historical financial information does not present fairly:
  > the historical Financial Performance of the company for the period to 31 January 2004; and
  > the historical Statement of Financial Position of the Company as at 31 January 2004,

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements and accounting policies adopted by the Company.

Subsequent Events

Apart from the matters dealt with in this report, Appendix I and prospectus and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company have come to our attention that require comment on or adjustment to the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence and Disclosure of Interest

Grant Thornton does not have any interest in the outcome of this issue other than for the preparation of this report for which normal professional fees will be received.

Yours faithfully
Grant Thornton

P S Paterson
Partner

Consolidated Pro Forma Statement of Financial Position

	Independently reviewed Statement of Financial Position of Waymouth Resources Ltd* as at 31 December 2003 $	Adjustment Note 1 $	Unaudited Statement of Financial Position as at 31 January 2004 $	Adjustment Note 2 $	Unaudited Statement of Financial Position prior to capital raising $	Adjustment Note 3 $	Consolidated Pro forma underwritten $	Adjustment Note 4 $	Consolidated Pro forma Issue fully subscribed $
Current assets									
Receivables	11,866	178,185	190,051	-	190,051	-	190,051	-	190,051
Cash assets	1,165,564	27,230	1,192,794	(1,042,692)	150,102	3,895,746	4,045,849	1,673,290	5,719,139
Inventories	-	11,835	11,835	-	11,835	-	11,835	-	11,835
Prepaid expenses	-	184,248	184,248	-	184,248	-	184,248	-	184,248
Total current assets	**1,177,430**	**401,498**	**1,578,928**	**(1,042,692)**	**536,236**	**3,895,746**	**4,431,983**	**1,673,290**	**6,105,273**
Non-current assets									
Investments	1,133,009	(1,133,009)	-	-	-	-	-	-	-
Property plant & equipment	-	691,270	691,270	-	691,270	-	691,270	-	691,270
Total non current assets	**1,133,009**	**(441,739)**	**691,270**	**-**	**691,270**	**-**	**691,270**	**-**	**691,270**
Total assets	**2,310,439**	**(40,241)**	**2,270,198**	**(1,042,692)**	**1,227,506**	**3,895,746**	**5,123,253**	**1,673,290**	**6,796,543**
Current liabilities									
Payables	4,667	330,988	335,655	(166,697)	168,958	-	168,958	-	168,958
Provisions	-	14,733	14,733	-	14,733	-	14,733	-	14,733
Total current liabilities	**4,667**	**345,721**	**350,388**	**(166,697)**	**183,691**	**-**	**183,691**	**-**	**183,691**
Non current liabilities									
Convertible Notes	-	896,265	896,265	250,000	1,146,265	(703,419)	442,846	(226,710)	216,136
Total non current liabilities	**-**	**896,265**	**896,265**	**250,000**	**1,146,265**	**(703,419)**	**442,846**	**(226,710)**	**216,136**
Total liabilities	**4,667**	**1,241,986**	**1,246,653**	**83,303**	**1,329,956**	**(703,419)**	**626,537**	**(226,710)**	**399,827**
Net assets	**2,305,772**	**(1,282,227)**	**1,023,545**	**(1,125,995)**	**(102,450)**	**4,599,166**	**4,496,716**	**1,900,000**	**6,396,716**
Equity									
Contributed equity	2,359,768	6,946,135	9,305,903	65,351	9,371,254	4,599,166	13,970,420	1,900,000	15,870,420
Accumulated losses	(53,996)	(8,204,191)	(8,258,187)	(1,191,346)	(9,449,533)	-	(9,449,533)	-	(9,449,533)
Parent company losses to 15 January 2004	-	(38,678)	(38,678)	-	(38,678)	-	(38,678)	-	(38,678)
Foreign exchange gains on consolidation	-	14,507	14,507	-	14,507	-	14,507	-	14,507
Total equity	**2,305,772**	**(1,282,227)**	**1,023,545**	**(1,125,995)**	**(102,450)**	**4,599,166**	**4,496,716**	**1,900,000**	**6,396,716**

*name changed to Living Cell Technologies Limited on 15 January 2004

Pro forma Adjustments

Adjustment 1

This reflects the following:

> the acquisition of the remaining 86.1% of the share capital of Living Cell Technologies Pty Ltd not owned by Waymouth Resources Limited (now Living Cell Technologies Limited) on 15 January 2004;
> the consolidation of the LCT Group, being Living Cell Technologies Limited, LCT Products Pty Ltd, Diatranz NZ Ltd, LCT Australia Pty Ltd, Fac8Cell Pty Ltd and DiaBCell Pty Ltd at 31 January 2004;
> the write-off of $8,150,100 of goodwill arising on acquisition of Living Cell Technologies Pty Ltd; and
> trading for the period to 31 January 2004.

Adjustment 2

The issue of 326,755 Ordinary Shares at 20 cents each to Alfred Vasconcellos, Moses Goddard and Dwaine F Emerich on 29 March 2004 in consideration for services provided to the Company.

The issue of $250,000 of Convertible Notes to Taylor Collison Limited on 15 April 2004 ($150,000 D class) and May 2004 ($100,000 E class) to provide working capital to Living Cell Technologies Limited, less a 5% arrangement fee ($12,500).

The adjustment of the Cash assets held by the Company to reflect the unaudited cash position at 30 April 2004. This adjustment has been incorporated as the Company has utilised Cash assets held at 31 January 2004 in the period to 30 April 2004 to meet ongoing working capital requirements. Where available, this expenditure has been reflected in a reduction in the Company's creditors to the estimated balance as at 30 April 2004. The balance of expenditure has been written off against the Company's reserves.

Adjustment 3

An underwritten non-renounceable Rights Issue of 24,128,829 Ordinary Shares in the Company at 20 cents each to raise $4,825,766.

Subject to the Underwriting Agreement, the issue of 1,000,000 Options to acquire Ordinary Shares in the Company at 22 cents each to Taylor Collison Limited.

Costs of the Rights Issue of $476,600 charged to contributed equity.

Conversion of the $250,000 D and E class Convertible Notes issued to Taylor Collison Limited for Ordinary Shares in the Company.

Repayment of $453,419 of B class Convertible Notes.

Adjustment 4

The non-underwritten Public Issue of 10,000,000 Ordinary Shares at 20 cents each to raise $2,000,000.

Costs of the Public Issue of $100,000 charged to contributed equity.

Repayment of $226,710 of B class Convertible Notes.

Assumptions to Pro Forma Statement of Financial Position

The Directors have stated that they are undertaking a Private Placement of Ordinary Shares to raise funds of the order of $700,000. These funds are required to provide working capital for the Company until closure of the prospectus, estimated to be 12 July 2004. On the basis of information supplied by the Company's fundraising adviser, it is not unreasonable to assume that these funds should be capable of being raised.

This is a fundamental assumption to the above Statement of Financial Position.

Statement of Financial Performance for the Period 16 to 31 January 2004

	$
Revenue from ordinary activities	(249)
Changes in inventories of finished goods and work in progress	-
Raw materials and consumables used	-
Employee benefits expense	(43,361)
Depreciation and amortisation expenses	(4,533)
Lease expenses	(354)
Write down of goodwill on consolidation	(8,150,100)
Other expenses from ordinary activities	(57,591)
Borrowing costs expense	(1,999)
Profit / (loss) from ordinary activities before income tax expense (income tax revenue)	(8,258,187)
Income tax revenue (income tax expense) relating to ordinary activities	-
Profit / (loss) from ordinary activities after income tax	(8,258,187)

The above information has been extracted from the unaudited financial statements of Living Cell Technologies Limited as at 31 January 2004.

10 May 2004

The Directors
Living Cell Technologies Limited
160 Greenhill Road
Parkside SA 5061

Dear Sirs,

This report has been prepared at the request of the Directors of Living Cell Technologies Limited ("LCT" or the "Company") for inclusion in a Prospectus to be issued by the Company on or about the 13th of May 2004 for the issuance of up to 34,128,829 shares at $0.20 to raise up to $6,825,765.

Over the past three years, Acuity Technology Management Pty Ltd ("Acuity") has had the opportunity to independently review and monitor the Company's technology and its progress in the development, production and trialing of the proposed products. Previous reviews were conducted to assist individuals and organisations in decisions relating to investment in LCT and its predecessor companies, including Diatranz Pty Ltd ("Diatranz"). The current report is based on information obtained during our earlier assessments along with a re-examination of the key issues, progress updates and review of recently introduced research programs.

Our review focuses on:
> The Company's research and development programs, including international collaborations;
> Research and production facilities and resources;
> The markets and competition.

LCT acquired all the assets of Australian company, Living Cell Technologies Pty Ltd ("LCT", collectively referred to as "LCT"), including production and research laboratories in New Zealand. LCT aims to use Australia as a base to launch its clinical trails programs locally and internationally, and to conduct other clinical research and product development.

Acuity Technology
Management Pty Ltd

ABN 68 005 777 417

83 Manning Road
Malvern East
Victoria 3154
Australia

Tel (03) 9572 0831
Fax (03) 9572 0832
Mobile 0411 141 457
Email acuity@bigpond.com

Management
consultancy to high
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Project management
Technology assessment
Valuation
Financial analysis
Research management
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Quality assurance

The established New Zealand facilities which were part of the acquisition will continue as an operational division of LCT responsible for sourcing islet cells, their preparation and other aspects of research and development.

LCT is involved in the development of cellular therapies for a number of human diseases and has had a long-term program for researching novel treatments for diabetes. Over the past decade, the company has developed procedures for the preparation of pig pancreatic islet cells for implantation, termed xenotransplantation, into diabetic patients and methods for encapsulation to protect cells from the recipient's immune system. The company is also developing procedures for treating other diseases, including neurodegenerative disorders, stroke and haemophilia.

1 Diabetes Program

1.1 Diabetes Incidence

Diabetes mellitus commonly covers a number of disorders characterised by high levels of blood glucose resulting from defects in insulin secretion, insulin action, or both. Although diabetics can take a number of measures to minimise the consequences of the disease, the ailment is generally associated with serious complications and premature death. It results in significant morbidity and seriously impacts on the lifestyle of sufferers.

Recent estimates by the World Health Organisation are that diabetes affects 176 million people with at least 80 million of these in Asia. Prevalence in the US is 18.2 million including 5.2 million people with undiagnosed disease, and there are 1.1 million diabetics in Australia and New Zealand. In the US there are 1.3 million new cases diagnosed each year. The total (direct and indirect) spending on diabetes in the US is US$132 billion or one of every 10 health care dollars spent. The direct medical cost is US$98 billion having doubled over the past five years. The average annual medical spending for a diabetic in the USA is US$13,243. In Australia, the annual cost to the nation exceeds A$1.2 billion, while in Japan direct costs reached US$16.9 billion in 1998.

According to the US Centres for Disease Control and Prevention the incidence of adult onset diabetes in the USA increased 33% overall between 1990 and 1998, and was up 76% among people in their thirties. Similar trends have been reported for other parts of the world, including Australia and Asia. The total number of diabetics worldwide is expected to double to 300 million by 2025, while Asia's numbers will double over the next three to five years.

Type I diabetes arises from the failure of the pancreas to produce insulin, the hormone required to control glucose uptake by cells in the body. It results from the body destroying its own insulin producing cells in the pancreas. It generally develops during childhood and is also referred to as juvenile diabetes or insulin dependent diabetes mellitus ("IDDM"). The chance of developing Type I diabetes is 3.7 to 20 per 100,000. Type I accounts for around 10%-15% of all people with diabetes.

The more common form of diabetes is known as adult onset or Type II diabetes. Type II usually arises because of insulin resistance, in which the body fails to use insulin properly often combined with a reduction in insulin levels. In other cases, it primarily involves an insulin secretory defect, combined with some insulin resistance.

1.2 Current Treatment Options & Markets

Lack of insulin production makes Type I diabetes particularly difficult to manage. Treatment requires a strict regimen that typically covers diet and physical activity. Multiple daily insulin injections based on blood glucose testing are required.

Treatment of Type II sufferers largely revolves around diet, exercise, home blood glucose testing and, in some cases, oral medication and/or insulin. There are also a number of non-insulin drugs prescribed for Type II diabetes including newer agents released in recent years known as thiazolidinediones or glitazones (Avandia(and Actos(, both launched in 1999). Adequate long-term glycaemic control is not always achieved using pharmaceuticals and conversion to insulin is often indicated, with approximately 40% of Type II patients require insulin injections.

Total sales for all diabetes-related drugs for 2002 were US$6.06 billion. With Avandia(tm) (GlaxoSmithKline) selling $1.214 bil, Humulin(tm) (insulin by Eli Lilly) $1.004 bil, Actos(tm) (Takeda/Eli Lilly) $1,365m, Humalog(tm) (insulin, Eli Lilly) $834m, Glucophage(tm) (a biguanide marketed by Bristol-Myers Squibb and Merck KGaA) $1.097m, and Amaryl(tm) (a sulphonylurea, Aventis) $546m. Glucophage(tm) sales as recorded by the major suppliers declined significantly between 1998 and 2002 as lower priced generic drugs entered the market. IMS Health predicts that the retail market for diabetes medications will exceed US$20 billion annually by 2006 as superior forms of insulin enter the market and the glitazones establish themselves.

LCT's diabetes program targets patients with impaired insulin production by replacing the defective insulin producing cells with animal cells. Hence, the market is Type I diabetes sufferers and possibly some Type II.

1.3 New Developments in Insulin Delivery

New companies and existing marketers of insulin are targeting improved patient acceptance by eliminating the need for injections. Inhalation devices, oral delivery and transdermal patches are now in clinical trials by several companies around the world and these can be expected to be on the market within the next few years. Companies developing improved insulin delivery include Nektar Therapeutics (USA), in Phase III trials for the treatment of Type I and Type II diabetes; Generex Biotechnology (Canada), in Phase II trials with a system for administering insulin as a fine spray into the oral cavity; Aradigm (USA) with a hand-held liquid aerosol inhaler that calibrates airflow and dosage, licensed to Novo Nordisk (Denmark) and intended for prandial (meal-time) delivery of insulin; and AeroGen and MannKind Biopharmaceuticals (both USA) developing dry powder microparticles for use with aerosol inhalation devices. Other developers of alternative insulin delivery technologies include Alkermes, Biosante, Emisphere, MicroDose Technologies, Nobex and Eli Lilly (all USA-based).

1.4 Islet Cell Transplantation

As an alternative to insulin and drug treatments, there is considerable activity to evaluate the transplantation of pancreatic tissue from both human and animal sources. Whole human pancreas transplantation (allotransplantation) has been practiced for several decades but is a technically complex operation, requiring the use of immunosuppressive drugs to prevent organ rejection. It is most often reserved for people with a life-threatening illness and therefore performed in conjunction with a kidney transplant. There are also programs to develop procedures to implant human islet cells recovered from cadaveric donors.

Although pancreas transplantations are being performed at an increasing rate, it is clear that there are not enough adult pancreases for everyone who might benefit from one. If transplantation were ever to become completely safe and effective, then the estimated one million Americans with Type 1 diabetes (and 40 million people worldwide) would theoretically be candidates for surgery. Yet only 1,000 to 1,500 adult pancreases are available for transplantation in the US each year.

Since only the islet cells of the pancreas, the cells that manufacture and secrete insulin, are necessary to achieve glucose control (euglycemia) in diabetics, one approach has been to transplant just these cells. A major benefit of islet cell transplantation is that major surgery is not required. Theoretically, islet cells could be injected into a vein, through which they move on to the liver, or they can be placed under the skin, in the abdominal cavity, or in other locations.

Islets harvested from both human and animal sources are seen as foreign by the recipient and are destroyed by the immune system. There are about one million islets in a human pancreas, representing only about 2% of the organ. Beta cells, the ones that produce insulin, make up 75% to 80% of the islets. The rest of the pancreatic cells produce enzymes which are discharged into the intestines to help digest food.

Recognising that islet cell replacement is only rational if the patient is spared antirejection or immunosuppressive agents (these drugs carry their own side-effects and insulin treatment is often a safer alternative) and because many such drugs impair the functioning of the implanted islets, research has sought methods for harbouring the cells in a protective environment. A further problem is that the beta cells are extremely fragile and their harvesting and processing require specialised techniques.

As for whole pancreas transplantation, the feasibility of human adult islet cell transplantation is hindered by a shortage problem. If only the islets are used, three to four adult pancreases are needed per procedure, narrowing the number of potential recipients in the US to only a few hundred. One approach that is being researched is to develop "immortal" human cell lines that can be grown indefinitely in the laboratory and mass propagated. This may be achieved using cancerous cell lines. The complication, however, is that there may be an increased risk of cancer development in the recipient. Genetic techniques are being explored to remove the malignancy potential. This approach is not considered a viable contender to xenotransplantation in the short to medium term.

A longer term approach is based on stem cells, early-stage cells that have not differentiated into a specific cell type, such as a kidney cell, blood cell, etc.

CyThera and Curis (both US-based), the later in collaboration with ES Cell International (Singapore/Australia), are developing stem cell technology that, it is hoped, will enable them to significantly expand and proliferate the stem cells in their undifferentiated state and then direct them into insulin producing islets for allogeneic transplantation.

Islet cell transplants from pig pancreases is another solution to the shortage problem and the route being followed by LCT. Pig and human insulin molecules are very similar and porcine insulin was the mainstay of treatment prior to the advent of genetically engineered human insulin in the 1980s.

Scientists at the University of Alberta in Edmonton, Canada, have developed a procedure called the Edmonton Protocol to experimentally treat patients with Type I diabetes. Under the protocol, human islet cells are injected into the large vein in the liver and the patients treated with a combination of antirejection drugs. Initial subjects were completely freed from insulin injections and an extended trial is underway with support from the US National Institutes of Health and the Juvenile Diabetes Research Foundation International. However, widespread use of the procedure will be limited by the need to use two or more donor pancreases to treat a single patient and the long-term use of immunosuppressive drugs that are expensive and increase the risk of infection and cancer. Furthermore, recently published data from animal studies found that the three immunosuppressive drugs commonly prescribed for patients after islet cell transplantation induced marked insulin resistance and beta cell toxicity, actually inducing diabetes and reducing the function of newly transplanted islet cells.

One of the most promising approaches to preventing islet cell rejection is a technology called immunoisolation. This involves encapsulating the islets within a selectively permeable membrane. This membrane allows nutrients and oxygen pass into the capsule to the islets and insulin to migrate out into the blood stream, while keeping out the antibodies and T cells of the immune system, which would otherwise destroy the islets. Obviously, the material used for encapsulation must also be non-toxic to both cells and the recipient.

Companies active in the area of islet xenotransplantation include: The Islet Sheet Company, Circe Biomedical, Islet Technology, Novocell, TheraCyte, Microislet (all in the US) and a number of academic groups around the world. This is the area in which LCT competes.

If unlimited supplies of islets were available, and the treatment totally safe, transplantation could be extended to help people with Type II diabetes.

Market analysts, Frost & Sullivan (UK), estimate that the revenue potential from islet transplantation for existing type I diabetics alone is US$20 billion. The firm forecasts that the market will accept a cost of US$20,000 per successful islet cell transplant.

2 LCT Technology

2.1 Proposed Products & Research

LCT is well advanced in the development of technology and techniques to replace the non-functional insulin producing islet cells in diabetic humans by xenotransplanting porcine islet cells. The key components of LCT's DiaBCell(tm) technology are: (i) a proprietary procedure to isolate pig islet cells at high yield, and (ii) encapsulation procedures to protect them from rejection by the human recipients.

The sourcing and breeding of suitable pigs, and procedures for recovering the islet cells are well developed at LCT. The Company has also demonstrated that it can effectively transport the cells to Europe and North America with minimal loss of viability. We are confident in suggesting that the company could be one of the most advanced in the world in preparing and maintaining islet cells.

The Company has collaborated with Italian scientists on the use of alginate encapsulation of cells. The key aspect of the alginate system is the high purity of the gel, and hence lack of toxicity. The technology has been exclusively licensed to LCT.

Extensive studies in mice have demonstrated the viability and safety of the treatment. Public concerns about the transmission of viruses and retrovirus (porcine endogenous retrovirus or PERV) are being investigated by the Company which has a skilled and competent team of virologists.

LCT was one of the first in the world to transplant islet cells into humans, with four volunteers in New Zealand given unprotected cells in 1994. Two additional studies in human volunteers with alginate coated cells and with a collagen tube have been undertaken more recently.

However, a lack of regulatory guidelines has made it difficult to continue work in New Zealand which necessitated the move to Australia. Under Australian and US guidelines primate studies are required prior to human studies and these studies have commenced in Singapore. In fact, the Company is working to US guidelines as these are internationally recognised and the market one of the most important in the world.

The Company's expertise in cell recovery and xenotransplantation has attracted worldwide attention and it has now entered into collaborations to examine allotransplantation and xenotransplantation for other disease states. These broader activities of the company are important to maintain the international leadership position of the company, to capitalise on expertise developed through the diabetes program and to spread the risks.

2.2 Haemophilia
At present approximately 500 people in Australia require plasma treatment for haemophilia at an estimated cost of approximately $100,000 per year. LCT is exploring two approaches to treating patients, one involving the transplantation of encapsulated human liver cells and the other porcine liver cells. The techniques, known as Fac8Cell(tm), aims to provide a more effective treatment than presently available at the same time as reducing costs. The liver cells will produce clotting factors, such as Factor VIII, as well as other relevant blood agents. LCT has identified a source of human organs in the USA and is collaborating with researchers there to evaluate their utility in treating haemophilia. Unlike islet cells, it is possible to culture and expand the quantity of harvested liver cells, thus one human liver may be able to treat up to 400 patients.

LCT has set up a wholly owned subsidiary in the US to progress this research and is collaborating with Brown University in Rhode Island. Animal models of haemophilia have been established and implantation studies commenced.

2.3 Inborn Errors of Metabolism
Not only is liver cell implantation capable of correcting the blood clotting problems of haemophilia but also curing certain enzyme deficiencies which result in mental retardation. The inborn errors of metabolism are individually rare. However, they are expensive to treat and often have poor outcomes. There are hundreds of disorders in this category including pheylketonurea, PKU, the initial target for LCT which collectively are quite common (1 in 2,500 live births). PKU is an inherited disease which affects patients' digestion. Dietary and treatment costs can exceed $60,000 per year.

2.4 Choroid Plexus Program
Choroid plexus cells are being investigated for stroke and Huntington's disease. Initial studies with animal models for both diseases although small in number were highly promising. We understand that scientific approval from the New Zealand Child Health Research Foundation has been received for the former program.

2.5 Intellectual Property
LCT has a number of granted patents and international patent applications covering the basic islet work most of which have been lodged in the past five years. Hence, if granted, the terms of protection can be expected to last well into the commercialisation period. The key patents cover a combination of matters including alginate encapsulation, the use of various reagents such as lidocaine and nicotinamide in cell preparation, the management of the human recipient with casein-free diet and cholesterol lowering drugs, etc. It is not appropriate for us to review these matters at length. The company has obtained expert advice from US based intellectual property lawyers. Suffice it to say that LCT has sought to protect its IP but much of what is claimed is subject to prior art considerations, some of which is public domain, for example alginate encapsulation, nicotinamide and casein free diet. The combination of materials and procedures is novel and may result in granted patents. In any event, a lack of patentability will not impact on the company's freedom to operate.

LCT's studies in mice have shown that a combination of casein-free diet and nicotinamide almost completely suppresses the immune response by which the insulin-producing cells are rejected and that the effect is greater than when either is used alone.

There are more recent patents that cover the use of near term piglets (immediately prior to full gestation or just following birth) which, it is claimed, improves the viability and survival of extracted islet cells. We consider these patents, along with the company's in-house, trade-secret protected, methods for isolating and preparing islet cells, to be the key differentiating features of the LCT technology. An additional, unanticipated but subsequently demonstrated, outcome of this choice of piglet age is that the potential transmission of bacteria and viruses may be mitigated.

There is know-how and expertise in the refinement of the alginate used in coating the islets, licensed from the University of Perugia, which minimises toxicity to islets and human recipients and improves efficacy of the cells. The reproducibility of encapsulated cells manufactured with the Italian procedure is very high, which is important from regulatory and quality assurance points-of-view.

The company has also sought patent protection for some original work that may enable the long-term maintenance and propagation of human and porcine islet cells in vitro. The ability to grow cells and expand numbers has not been demonstrated previously, other than through the development of tumorous cell lines (see above).

Patents have recently been lodged claiming novel aspects of the liver cell transplantation program, the choroids plexus cells preparation and clinical application, and the delivery of foreign cells to a patient.

2.6 Production and Quality Assurance

LCT has a manufacturing facility in Auckland that meets the guidelines for Good Manufacturing Practices ("GMP") as required for the production of therapeutic goods. A licence from the New Zealand Ministry of Health has been issued to this effect.

The facility receives piglets and excises pancreases under sterile conditions. Alginate gel coatings are applied in the facility under GMP.

The company currently has capacity to breed and process in excess of 5,000 pigs a year to manufacture enough pancreatic islet cells for almost 800 patients a year, although this has not been achieved. This is more than adequate for clinical trials, but capacity of both pig production and islet preparation will need to be expanded once commercial operations commence.

We have reviewed the company's production documentation and believe it to be of a high standard. We believe that it satisfies guidelines for clinical trials. Nonetheless, an audit by the US Food and Drug Administration ("FDA"), and other national regulatory authorities, would be required before products could be marketed.

2.7 Senior Staff

We have met with senior company management and reviewed curriculum vitae, particularly of scientific, medical and production staff. We are able to confirm that LCT has a core of competent individuals involved in all aspects of R&D and production of trial material, and that it has built its strengths in areas that are relevant to furthering the development and testing of products. In particular, we view regulatory issues and virology as essential to success, along with experience with clinical trials, and we are impressed by the people involved in these activities.

In addition, we are of the opinion that strong financial management and commercial skills are essential to maintaining momentum and in negotiating licensing deals. LCT has sought to strengthen its commercial skills and introduce discipline to administration over the past year. LCT has indicated that the employment of staff, including a CEO with industry knowledge and experience to direct the company particularly towards commercialisation of its products is an area of high priority.

There has been a dependency on certain individuals which we consider to be a consequence of the small size of the firm and an inability to transfer expertise within divisions. As the company grows, particularly through the Australian and US operations, these dependencies will diminish. In the meantime, we believe that it is important for LCT to retain staff through incentive programs, and have been advised that a staff option incentive program is currently being finalised.

We also note the formation of a Scientific Advisory Committee in Australia which includes Professor Robert Seamark one of the pioneers of animal, and in particular, porcine transgenics. The involvement of Seamark, along with Drs Jenny Couper and John Graham with their experience in diabetes research and management, will ensure the highest medical and ethical standards are maintained.

2.8 Collaborations
In addition to the collaboration with the University of Perugia, which provides access to alginate gel refinement technology as well as support for clinical trials LCT is working with the US Centres for Disease Control on methods for identifying and managing the transmission of infection from pigs to humans.

The Company has also established a number of collaborations in the USA and Australia aimed at further development and testing of its artificial pancreas and applying its know how and expertise in animal cell isolation to other diseases such as haemophilia, stroke, liver disease and neurological disorders. These collaborations include Brown University (Rhode Island) and Flinders Medical Centre (South Australia).

Primate studies are being undertaken with one of the few companies offering a primate diabetes model, Maccine Pty Ltd in Singapore.

3 Commercialisation Strategy
The Company's commercialisation strategy is to progress the development of its products through clinical trials and then to offer the living cell therapies to patients through specialised cell therapy centres. An initial Living Cell Treatment Centre is proposed to be established in Adelaide to cater for the application of diabetes treatments to a limited population. The cost of Diabetes in South Australia is almost $1 billion per year. The Living Cell Treatment Centre will assist only 2% of the potential diabetes market and will be used to test the business model. Other products affecting other diseases can be treated at the Treatment Centre in a similar fashion as regulatory approvals are obtained and they come to market. The Living Cell Treatment Centre is intended to be replicated and scaled to cater for larger populations in other Australian states and overseas.

As other products are developed, such as the liver transplantation program, they will be offered at the Living Cell Treatment Centres alongside the islet cell product.

LCT currently compensates for its lack of size by accessing skills and resources as required. It engages organisations with appropriate and proven skills to enable it to better compete in a highly regulated industry, in fact one with evolving regulations, and competitive research environment.

Directors are positioning the Company into the business of owning a "product pipeline". They are initiating discussions with strategic partners to increase the size and scope of the pig herds once clinical testing is more advanced. Considerable resources are being focussed on the Company's ability to expand its virology, quality assurance, medical and veterinary capabilities, and to licence and/or joint venture with pig herd developers and medical service providers to expand pig herd numbers (once clinical testing is sufficiently advanced) and infrastructure (clean rooms, GMP facilities, etc).

4 Risks

The development of pharmaceuticals and medical devices involves significant hurdles before final market acceptance. Preclinical testing, clinical trialing, manufacturing and marketing are subject to various regulatory authorities' approvals. The processes are both costly and protracted and there is no guarantee that regulatory approval will be obtained. In addition, many nations now mandate cost effectiveness analyses prior to placement on medical reimbursement lists which require demonstration that the product achieves the same outcome as existing treatment options at lesser cost, or achieves a superior outcome that justifies an increased cost.

There are competing drug development and gene discovery programs targeting diabetes, including better delivery of insulin. There are literally dozens of companies conducting drug discovery programs, and the overall research expenditure could exceed hundreds of millions of dollars. There is little doubt that future drugs will offer better glucose control and be more acceptable to patients than today's products.

Many of LCT's competitors have substantially greater technical and financial resources, production and marketing capabilities, and experience in bringing drugs to market and obtaining regulatory approvals. The Company will need to raise further capital as clinical trials advance and expand in number. The Company's ability to raise further funds is not guaranteed and will depend on market conditions as well as past successes.

The New Zealand Government has recently tightened its regulations on xenotransplantation which restricted LCT Limited's ability to conduct trials in that country. The New Zealand ban does not preclude the export of products for use in xenotransplantation. Thus LCT can still source and process its porcine islet cells in New Zealand, and export these to Australia and elsewhere for clinical trials. Any changes in the Government's attitude could impact on the Company's development programs. A need to site production activities in another country may retard the launch of products and limit access to suitable animal colonies.

Guidelines for xenotransplantation are only now being formulated. In the past LCT, and its predecessor companies, have had limited information on requirements for obtaining marketing approvals for its proposed products. The guidelines clarify this to some extent while at the same time increasing the demands on the Company to be rigorous in its procedures.

The US Government has issued guidelines for clinical trials involving the transplantation of animal tissue into humans, but initially placed a hold on clinical trials using porcine derived materials pending the development by sponsors of sensitive and specific assays for PERV both at the preclinical development/production stage and post transplantation screening. Guidelines issued by the FDA in 2001 address these issues and, subject to satisfying the FDA that preclinical testing achieves an acceptable standard, patients are fully informed and consent freely given, and that suitable methods for monitoring are in place, trials may proceed. As a first step in obtaining US approvals, LCT has embarked on a primate study in Singapore.

In Britain, the UK Xenotransplantation Interim Regulatory Authority (UKXIRA) is receiving and will screen applications, with government ministers giving the final approval. Guidelines are available to assist sponsors with applications. In Australia, the National health and Medical Research Council has formed a Xenotransplantation Working Party to consult with industry and the community to develop guidelines.

The cautious approach adopted by regulators worldwide may slow progress in the testing and marketing of products and could adversely affect LCT's long term survival. However, we believe that regulations are moving in the right direction and companies such as LCT will receive the approvals they require to advance their products' development.

There remains considerable concern about the potential for PERV transmission to humans. Many studies have been conducted that show lack of infection of human cells in culture and the follow-up of humans that have received porcine tissue has so far failed to identify evidence of infection. These patients included people who have received skin grafts and diabetics who have been given pancreatic islets. Even in patients who had their immune systems suppressed with drugs as part of their treatment and were therefore presumed to be at increased risk of infection there has been no evidence of infection.

It is usual for healthcare companies to carry product liability insurance (or self insure) in the event of an adverse effect or death resulting from use of their products. Payouts can be extremely high. There is no assurance that LCT can obtain such insurance, particularly covering clinical evaluations, and even if it did the amount may not adequately cover potential liabilities.

5 Summary

There are a number of companies and academic researchers around the world developing xenotransplantation products for treating diabetes, as well as looking at other treatment approaches. The overall objectives of these strategies are to find more "user-friendly" approaches to the routine injection of insulin and to obtain better glucose control in the patient. There are many reasons that the transplantation of islets, without concomitant administration of immunosuppressive drugs, may be the preferred treatment. Once cells have been transplanted, it is expected patients will experience many years of normal existence without daily worries about taking their pills, puffs or shots and without concern about over- or under-dosing. Pancreatic cells will respond to glucose changes and produce insulin as required - drugs cannot achieve euglycemia.

There are obvious concerns related to xenotransplantation, particularly the potential transference of PERVs, and the viability and longevity of the transplanted cells in a situation where the recipient's body mounts an immune response to the foreign tissue.

Immune issues can be overcome through encapsulation and extensive studies will be required to understand the long term survival of cells. Ongoing research is required into infection and it may be some time before the matter is comprehensively resolved.

LCT is one of the few companies in the world that is capable of producing islet cells under GMP conditions on a routine basis and it is one of a hand full that have initiated clinical trials. It underpins its research with unique intellectual property and strong collaborations.

LCT differentiates itself from its competitors in the way it manages the issues of rejection and virus transmission. A combination of cell encapsulation and pre-treatment of cells and patients aims o overcome rejection and enhance islet functioning. A first level barrier against the transmission of bacteria and viruses, as well as prions, arises from the sourcing of donor animals in New Zealand with a recognised disease-free status. In addition to this, animals are bred and raised under pathogen free conditions. The matter of PERVs is still under investigation by LCT, and its collaborators and competitors, but it would appear that the procedures used for obtaining cells minimises the potential for transmission to humans (if in fact it does occur).

In summary, LCT has made remarkable progress without the financial and scientific resources of its competitors. It is making a unique contribution to the management of diabetes. There are technical issues that must be addressed with islet xenotransplantation which the company understands well. It has technical staff dedicated to their resolution and has formed collaboration to ensure progress remains competitive.

6 Other Matters

In evaluating the program to develop therapeutic products, we had regard to the relevant guidelines and regulations relating to the conduct of human clinical trials and the production of therapeutic goods. We do not consider our inspection of LCT's New Zealand facilities to be as rigorous as an audit undertaken by a therapeutic products regulatory authority. We aim only to assure investors that the company is familiar with the requirements and that adequate effort is being applied to achieving the necessary standards.

Neither Acuity Technology Management nor its principals have any pecuniary interest in LCT that could be regarded as affecting the ability to provide an unbiased opinion of the matters contained in this report. Acuity will receive a professional fee for the preparation of this report.

Acuity has prepared a number of Independent Expert Reports on LCT and its predecessor companies over the past three years for inclusion in various fund raising documents and has been paid by these companies for the reports. This report derives in part from earlier reviews and facility inspections as well as more recent examination conducted specifically for the Prospectus.

We have given our written consent to the issue of this report in the Prospectus included in the form and context in which it appears. We have been involved only in the preparation of this Report and not in the preparation of any other part of the Prospectus, and specifically disclaim liability to any person in respect of any statements included elsewhere in the Prospectus. We have not, other than as set out above, been involved in the preparation of or authorised or caused the issue of this Prospectus.

Yours sincerely

David H Randerson, BE, PhD
Managing Director, Acuity Technology Management

Acuity is a consultancy firm that advises on R&D and its commercialisation with a particular emphasis on biotechnology. Dr Randerson has over 30 years experience as a practicing biomedical engineer and research adviser. He has managed commercial and academic research programs, taught engineering at tertiary institutes and worked in the medical device and pharmaceutical industries. Acuity undertakes technology and market assessments of projects and provides advice to investors in relation to high technology projects.

15 April 2004

AJ Park
Intellectual Property Lawyers & Consultants
Patent & Trade Mark Attorneys

To the Directors,
Living Cell Technologies Limited

You have asked us to provide this report for inclusion in a prospectus to be issued by Living Cell Technologies Limited.

The following report deals with the patents, patent applications, trade marks and trade mark applications in which we understand Living Cell Technologies Limited has an interest.

The status summary provided herein is correct to the best of our knowledge at the date of this report. We make no comment on the scope or validity of otherwise in respect of the Intellectual Property listed herein.

Background
AJ Park is a firm of patent and trade mark attorneys in New Zealand. AJ Park has acted for Living Cell Technologies Limited (or its predecessors, particularly Diatranz Limited) since the early 1990's in respect of the majority of their patent and trade mark portfolio.

AJ Park is New Zealand's largest firm of Patent Attorneys. It comprises a team of over 75 experienced professionals specialising in all aspects of Intellectual Property Law. AJ Park's consultants are based in two locations in New Zealand - Wellington and Auckland.

Intellectual Property law is concerned with commercially valuable ideas, secrets, concepts and reputations. In particular, with reference to Living Cell Technologies Limited the following fields of intellectual property law are particularly relevant:

Patents - At a general level, patents protect new ideas which are able to be industrially applied. A Patent is a statutory monopoly which provides the proprietor with the exclusive right to make,

Level 17, BNZ Tower,
125 Queen Street,
PO Box 565, Auckland,
New Zealand.

Tel +64 9 356 6996
Tel 0800 A J Park
Tel 0800 257 275
Fax +64 9 356 6990

DX CP21527, Auckland.

Web site www.ajpark.com
E-mail akl@ajpark.com

Other Office
Wellington, New Zealand

Associated Office
Sit, Fung, Kwong & Shum
Hong Kong

A J Park comprises the
partnerships of A J Park
Patent Attourneys and
A J Park Law

use or sell the invention which is the subject of the patent, throughout the country granting the patent right. Patents can be obtained in New Zealand and most other countries. International conventions enable a patent application filed, for example in New Zealand, to be used as the first step in obtaining patent rights in other countries. These other rights will claim priority back to that initial New Zealand patent application. The grant of a particular patent in one country will not confer any other rights in respect of that invention in any other country.

It should be noted that the granting of a patent does not guarantee that the patentee is entitled to work the invention claimed in that patent. It may be that the working of that particular patented invention is prevented or otherwise restricted by the existence of another patent belonging to some other party, which has an earlier priority date.

Furthermore, the grant of a patent does not guarantee validity of that patent since it may be revoked on the grounds of invalidity at any time during its life.

This report makes no comment concerning the validity of the patents nor whether the invention which is the subject of the patents are capable of being practised in a particular jurisdiction without fear of infringement of another's rights.

Registered Trade Marks - protect a distinguishing device, letter, sign or name, for example, when used to signify the origin of the goods or services to which they are applied. Registration of a trade mark in a particular jurisdiction will provide the owner with a monopoly in respect of the use of that mark in that jurisdiction, in relation to the particular goods or services covered by that registration.

All of patents, patent applications, trade marks and trade mark applications are property rights which can be sold, licensed, mortgaged, or otherwise dealt with. Registered trade marks and granted patents allow the proprietor of those rights to take action against those believed to be infringing that particular right.

Living Cell Technologies Limited, Diatranz New Zealand Limited, DiaBCell Pty. Limited, Fac8Cell Pty. Limited and Neurotrophincell Pty Limited.

For clarification purposes we note that Living Cell Technologies Limited (ACN 104 028 042) holds all of the shares in Living Cell Products Pty. Limited (ACN 102 393 108) which in turn holds all of the shares in each of Diatranz New Zealand Limited, DiaBCell Pty. Limited (ACN 106 546 507) and Fac8Cell Pty. Limited (ACN 106 546 543), and Neurotrophincell Pty Limited (ACN 108 672 975)

In general, the majority of the patent portfolio held by DiaBCell Pty. Limited deals with the preparation and applications of insulin producing porcine islets particularly with respect to diabetes. The patent portfolio held by Fac8Cell Pty. Limited deals with work on liver cells and particularly methods to augment or provide liver cell function in a transplant recipient. The patent portfolio held by Neurotrophincell Pty Limited involves culturing and/or transplanting secretory cells, such as choroid plexus cells, into a transplant recipient to augment or produce secreted factors which are thought to be effective in preventing neurological damage.

Status Summary

DiaBCell Pty. Limited

The following tables provide details of the current patents and patent applications, and trade marks and trade mark Applications assigned to DiaBCell Pty Limited.

New Zealand		
Patent /App No.	Title	Status
250834/260232	Improvements in or relating to a Treatment of Diabetes	Granted
272382	A Method of Treating Insulin-dependent Diabetes Using Piglet Islet Transplantation together with Treatments which Enhance Success	Pending
502473/502826/ 504521/ 502474/ 504520/ 502475/ 504522/502476/ 504523/506287/ 506337/507961	Preparation and Xeno-transplantation of Porcine Islets	Granted
520443	Preparation and Xeno-transplantation of porcine islets	Pending
507616/507963	Preparation and Xenotransplantation of Porcine Islets	Granted
525272	Islet Culturing for Xenotransplantation	Pending
519540	Porcine Islets for Xenotransplantation	Pending
527000	Xenotransplantation	Pending
527062	Xenotransplantation	Pending
515310	Methods of Treatment and Delivery Modes	Pending
531240	Methods of Treatment and Delivery Modes	Pending

Australia		
Patent /App No.	Title	Status
28930/01	Preparation and Xenotransplantation of Porcine Islets	Pending
2002211122	Preparation and Xenotransplantation of Porcine Islets	Pending

USA		
Patent /App No.	Title	Status
US 6,090,400	The Treatment of Diabetes	Granted
US 6,146,653	Pharmaceutical preparation and a method for the treatment of diabetes	Granted
09/857,325	Preparation and Xenotransplantation of Porcine Islets	Pending
10/443,344	Preparation and Xenotransplantation of Porcine Islets	Pending
10/398,744	Preparation and Xenotransplantation of Porcine Islets	Pending

Europe		
Patent /App No.	Title	Status
01942558.6	Preparation and Xenotransplantation of Porcine Islets	Pending
01979134.2	Preparation and Xenotransplantation of Porcine Islets	Pending

Singapore		
Patent/Appn No.	Title	Status
200204410-5	Preparation and Xenotransplantation of Porcine Islets	Pending

PCT International		
Patent/Appn No.	Title	Status
PCT/NZ03/00130	Porcine Islets for Xenotransplantation	Pending
PCT/NZ02/00197	Growing Xenotransplant Material in Culture	Pending
PCT/NZ02/00235	Methods of Treatment and Delivery Modes	Pending

Trade Marks		
New Zealand		
Appn/Registration No.	Mark	Status
316359	DIATRANZ	Registered
605168	DIABECELL / DIA-B-CELL	Registered
654248	SERTISLE	Registered

USA		
Appn/Registration No.	Mark	Status
76/068984	DIABECELL	Pending

Canada		
Appn/Registration No.	Mark	Status
1063249	DIABECELL	Pending

UK		
Appn/Registration No.	Mark	Status
2236062	DIABECELL	Registered

Japan		
Appn/Registration No.	Mark	Status
4440948	DIABECELL	Registered

Europe		
Appn/Registration No.	Mark	Status
1705904	DIABECELL	Registered
Australia		
Appn/Registration No.	Mark	Status
838881	DIABECELL	Registered

Fac8Cell Pty Limited

The following table provides details of the current Patent Applications assigned to Fac8Cell Pty Limited.

New Zealand		
Patent /App No.	Title	Status
527108	Hepatocyte Transplantation	Pending
527605	Hepatocyte Transplantation	Pending
527699	Hepatocyte Transplantation	Pending
532057	Methods for Culturing Cells and Uses Thereof	Pending
532058	Liver Cell Transplantation	Pending
532059	Production of Secreted Factors and Uses Thereof	Pending

Neurotrophincell Pty Limited

The following tables provide details of the current Patent Applications assigned to Neurotrophincell Pty Limited.

New Zealand		
Patent /App No.	Title	Status
530670	Preparation for Biotransplantation and Xenotransplantation and Uses Thereof	Pending

USA		
Patent /App No.	Title	Status
09/959,560	Xenotransplant for CNS therapy	Pending
TBA	Preparation for Biotransplantation and Xenotransplantation and Uses Thereof	Pending

Singapore		
Patent/App No.	Title	Status
84629	Xenotransplant for CNS therapy	Granted

Europe		
Patent/App No.	Title	Status
1176970	Xenotransplant for CNS Therapy	Pending

Validity of Patents and Applications

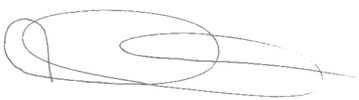
The above mentioned patent applications are still pending. It cannot be assumed that these applications, or any national phase applications arising from the pending PCT applications, will proceed to grant. Further it cannot be assumed that the claims of the applications will remain in their present form as amendments may be required by the national examination bodies.

In addition guarantees as to the validity and enforceability of the granted patents in any of the particular territories in which they were granted cannot be made.

Independence of this Report and Disclaimer

AJ Park has no interest in Living Cell Technologies Pty. Limited nor any of its subsidiaries other than fees for professional work done. In our opinion, the above comments do not contain any false or misleading statement. The material provided is accurate to the best of our knowledge.

Yours faithfully,



David Jones
Partner

Shareholders and investors should be aware that there are a number of risk factors, both specific to LCT, biotechnology investments and related to the general business environment, which may have an effect on the financial performance of LCT and/or the value of their investment. Shareholders and investors should therefore carefully consider all associated risks and seek their own professional advice.

The following is not an exhaustive summary of all the risks which may apply to a company like LCT. It is provided to indicate the types of risk factors that alone or in combination can have an adverse affect on LCT.

9.1 Additional Capital Requirements

Biotechnology research and development activities require a high level of funding over a long period of time.

As is the case for many biotechnology companies, sequential rounds of fundraising are necessary before the company reaches a sustainable stage and can commercialise components of its intellectual property.

Such sustainability occurs when a company's research portfolio is sufficiently advanced to sell licences to potential customers and/or partners, or attract partners to collaborate in further research and commercialisation activities building from its research portfolio.

As and when income streams from these partnership or licensee activities enable the business to self-fund its activities, additional shareholder funds are less likely to be required as a source of company financing.

At the date of this Prospectus, the Directors consider that a further fundraising may be required within 12 to 18 months from the completion of this Offer to fund LCT's ongoing operations and to facilitate growth. However, any future funding decisions will reflect a range of factors, including the success of LCT's activities, capital and R&D requirements, the financial position of LCT at the time and any income from future licensing arrangements. In the event that a fundraising is not a viable option, LCT may be required to curtail significantly or discontinue one or more of its development projects, and as a result its business could be materially and adversely affected.

It should be noted that biotechnology initiatives are characterised by uncertainty, unexpected complexity and emerging opportunities which may lead to changes in the allocation of funds as planned.

9.2 Risk of Product Liability

LCT may experience losses due to product liability claims or claims for adverse reaction during clinical trials beyond the level of insurance in place.

With respect to certain risks, LCT may not be able to source appropriate insurance at all, or at a cost or on terms which are commercially reasonable. Accordingly, there can be no assurance that a product liability or other claim would not materially and adversely affect the business or financial condition of LCT.

9.3 Regulatory Approval Delays

Commercialisation of new products is subject to regulatory processes, which include extensive pre-clinical and clinical trials to establish safety and efficacy. These processes can take many years and require substantial resources. It is difficult to estimate with accuracy the elapsed time to achievement of essential steps to market. Time estimates by biotech companies have typically been significantly short of the actual time required. There can be no assurance that any required regulatory approvals will be obtained for LCT's products at all or obtained within expected timeframes. This is also true in relation to scientific milestones.

9.4 Unforeseen Expenses

LCT may need to incur expenses that have not been taken into account. If these were to be substantial then LCT would be adversely affected.

9.5 Competition

The life science industry is intensely competitive with a high risk of failure. Many companies have significantly greater resources and expertise applied to the same disease targets as LCT.

There can be no assurance that superior technologies will not result in more effective products achieving earlier commercialisation, thereby reducing or eliminating market opportunity for LCT treatments.

LCT's success will, to a large degree, depend on the competitiveness of its products and its ability to protect the intellectual property it will be commercialising. Patents in relation to the technology have been lodged in various countries, however there is no assurance that other companies will not independently develop similar, more effective, alternatives, or more affordable technologies that will succeed in challenging LCT's patents. The commercialisation of competitor products may render LCT's technology or products obsolete. LCT's technologies use several inputs for which licences may require negotiation of the terms of commercial use. There can be no assurance that such licences, if required, will be available on commercially reasonable terms.

9.6 Technology Intellectual Property Rights

Securing rights to technology and patents is an integral part of securing potential product value in the outcomes of pharmaceutical research and development. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors have not developed technology to avoid such patents. LCT's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the property rights of third parties. Because the patent positions of biotechnology and pharmaceutical companies can be highly uncertain and frequently involve complex legal and factual questions, neither the breadth of claims allowed in biotechnology and pharmaceutical companies can be highly uncertain and frequently involve complex legal and factual questions, neither the breadth of claims allowed in biotechnology and pharmaceutical patents nor their enforceability can be predicted. There can be no assurance that any patents which LCT has obtained or may own or control in the future will afford LCT commercially significant protection of its technology or its products or have commercial application.

In addition, the sharing and publication of information about LCT's technology as a publicly listed company, through the clinical trials process and other collaborations, increases the risk of unauthorised disclosure and misappropriation of LCT's intellectual property. The cost associated with defending LCT's patents could be substantial and could have a materially adverse affect on LCT's business.

9.7 Dependence on Key Personnel

LCT is dependent on the principal members of its scientific and management staff, the loss of whose services might significantly delay or prevent the achievement of scientific or business objectives. LCT has commenced its program of appointing understudies to assist in the Company's knowledge retention and continuity of business. "Key person" insurance on officers, employees or consultants is not currently maintained by LCT.

9.8 Failure of Equipment and Loss of Records

LCT is dependent on continuous operation of its computer systems and specialised laboratory equipment, as well as the maintenance and protection of its laboratory records. In the event that insurance and backup systems were insufficient to cover the loss to LCT arising from a catastrophic event, there would be a material adverse effect on LCT's business and its financial performance.

9.9 Foreign Exchange

LCT has expenditure in A$, US$ and NZ$. Currently LCT's income from sale of shares is A$ and NZ$, creating a natural hedge with LCT's A$ and NZ$ exposure. However, the company faces currency exchange risk with US$. Budgeting has been projected using an average for the current financial year, the Board is aware that the 3 year average exchange is 23% below current rates.

The Board is notified of exchange rate variations on a monthly basis and executives will propose a hedging strategy before the end of this financial year once potential for US$ income can be assessed fully.

9.10 Research and Development Risks

The production process for DiabeCell utilises porcine cells. LCT's ability to produce DiabeCell in commercial quantities is dependent upon the acquisition and expansion of a specific pathogen free (SPF) herd in compliance with the FDA and Therapeutic Goods Administration (TGA) guidelines. The pigs must be sourced from validated disease free locations, and there is no guarantee that LCT will be able to obtain enough pigs from these sources within the timeframe required to meet projected demand. Production capacity must be scaled to strict specifications prior to a final pivotal clinical trial.

LCT must obtain a manufacturing licence from regulatory authorities for any new or expanded production facility, and there can be no assurance that such approval will be obtained.

9.11 Disease Outbreak

The outbreak of a disease within the SPF pig herd (for which LCT has a contracted supply), or its infection with viruses and/or diseases (from which the herd is free at present), would significantly impact LCT's ability to maintain and expand the herd and to source cells of suitable quality and purity.

9.12 Sharemarket Conditions

There can be no guarantee that there will be ready buyers at a time when an investor may wish to sell shares. Shares may be subject to volatility depending on various factors such as announcements regarding discoveries and clinical activities, economic and external factors, as well as changes in LCT's intellectual property portfolio. One or more of these factors could harm LCT's business and cause a decline in the price of its shares and impact LCT's access to capital.

In addition, there is always a risk, for whatever reason, that investors may become averse to investments in biotechnology. There can be no guarantee that LCT's future capital raising projects will meet with market support.

9.13 Legislative Changes

LCT's operations are subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines. There can be no assurance that future legislation will not impose further government regulations with which LCT will be required to comply. The costs involved and the restrictions on the activities of LCT arising from this further government regulation may adversely affect the business or financial condition of LCT.

9.14 Termination of Underwriting Agreement

The Rights Issue component of this Offer is underwritten. Shareholders should be aware of the terms of the Underwriting Agreement disclosed in Section 10.6, which includes certain termination events that may not be in the control of LCT.

Conclusion

As mentioned in the introduction to this Section, the above list of risks should not be taken as exhaustive of the risks faced by LCT or investors in LCT. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of LCT and the value of Shares offered under this Prospectus.

The Board is conscious of the risks set out in this Section and will take whatever steps it considers appropriate to minimise such risks or overcome problems arising from them. However, the Board recognises that issues arising from many of the risks identified are beyond its control and therefore are not capable of preventative or curative action other than through the risk minimisation approach mentioned. This investment is regarded as highly speculative. Neither LCT nor any of its Directors nor any other party associated with the preparation of this Prospectus warrants that any specific objective of LCT will be achieved or that any particular targets of LCT or its Shares, including those offered by this Prospectus, will be achieved.

10.1 Capital Structure

Shares

After completion of the Offer (and assuming that the Issue is fully subscribed and 3,500,00 Shares are issued pursuant to the placement referred to in Section 2.1) LCT will have on issue 85,886,486 Shares. The table below shows the breakdown of those Shares:

Shares	Number
Shares	48,257,657
New Shares	34,128,829
Placement Shares*	3,500,00
Total	85,886,486

*There is no guarantee that these Placement Shares will be issued. The number of Placement Shares detailed above only represents the number of Shares which the Directors will be seeking to issue pursuant to the proposed placement (see section 2.1).

Options

At the date of the Prospectus and after completion of the Offer, LCT will have on issue 13,536,150 Options. The table below shows the breakdown of these Options:

Options	Number	Exercise Price	Expiry
Underwriter's Options	1,000,000	A$0.22	30 June 2008
Class A Options	3,812,500	A$0.21	30 June 2010
Class B Options	8,723,650	A$0.21	30 June 2010
Total	13,536,150		

Convertible Notes

After completion of the Offer, LCT will have on issue 9 Convertible Notes.

Convertible Notes (and number)	Exercise Price	Value	Expiry
B Class (6)	A$0.21	A$113,354.83 (plus interest)	21 July 2008
C Class (1)	A$0.21	A$216,136.00 (plus interest)	21 July 2008
D Class (1)	A$0.20	A$150,000.00 (plus interest)	16 April 2007
E Class (1) (Yet to be issued)	A$0.20	A$100,000.00 (plus interest)	to be determined

10.2 Stock Exchange releases

The following disclosures have been made to the Newcastle Stock Exchange and can be viewed on the Newcastle Stock Exchange website www.newsx.com.au

Date	Headline
7 May 2004	Potential new treatment - details published in Neuro Report
7 April 2004	Appointment of Independent Chairman
6 April 2004	Initial Directors' Interests Notice
12 March 2004	Appendix 3 - Half Yearly Report
9 March 2004	Media Release March 9 2004
18 February 2004	Investor Brief - Feb 2004
28 January 2004	Change of Trading Code and Trading Halt Status
19 January 2004	Change of Company Code - Update
13 January 2004	Granting of trading halt request
13 January 2004	Company requests Trading Halt
13 January 2004	Results of Extra Ordinary General Meeting
8 January 2004	Expert's Report
8 January 2004	Notice of General Meeting
8 January 2004	Notice of meeting and explanatory memorandum
15 October 2003	Proposed transaction with Living Cell Technologies Ltd

10.3 Rights attaching to New Shares

The New Shares will participate equally with all other Shares of LCT in all respects.

The following paragraphs contain a summary of the principal rights that will attach to the New Shares under LCT's constitution. A copy of the Constitution is available for inspection at the registered office of LCT. This summary does not purport to be exhaustive.

To obtain a definitive assessment of the rights and liabilities which attach to the New Shares in any specific circumstances, Shareholders should seek their own advice.

General Meeting

Each member is entitled to receive notice of, and to attend and vote at, general meetings of LCT and to receive all notices, accounts and other documents required to be sent to members under LCT's Constitution, the Corporations Act or the Listing Rules.

Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issues, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of LCT every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll.

A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in LCT have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), LCT will count only the vote cast by the member whose name appears before the other(s) in LCT's register of members.

Issue of Further Shares

The Directors may, on behalf of LCT, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by LCT's Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

Variation of Rights

At present, LCT has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by special resolution of LCT and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

Transfer of Shares
Subject to LCT's Constitution, the Corporations Act, SCH Business Rules and the Listing Rules, ordinary shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with SCH Business Rules, by any other method of transferring or dealing introduced by NSX and as otherwise permitted by the ASX or Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. LCT may decline to register a transfer of shares in the circumstances described in LCT's Constitution and where permitted to do so under the Listing Rules. If LCT declines to register a transfer, LCT must, within five business days after the transfer is lodged with LCT, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules or by the SCH Business Rules.

Partly Paid Shares
The Directors may, subject to compliance with LCT's Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

Dividends
The Directors may authorise the payment to the members of such dividends as appear to the Directors to be justified by LCT's profits and for that purpose may declare such dividends.

LCT in general meeting may determine a dividend, but may only do so if Directors have recommended a dividend. The dividend so determined cannot exceed the dividend recommended by the Directors.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

Winding up
Subject to the rights of holders of shares with special rights in a winding up, if LCT is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of LCT in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

Dividend Plans
The members of LCT, in general meeting, or the directors may establish dividend plans under which (among other things) a member may elect that dividends payable by LCT be reinvested by way of subscription for shares in LCT or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead the issue of shares.

Directors
LCT's Constitution states that the minimum number of directors is three.

Powers of the Board
The Directors have power to manage the business of LCT and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, and other law, the Listing Rules or LCT's Constitution.

10.4 Rights Attaching to Options

The following paragraphs contain a summary of the principal rights that attach to the Options. The summary is not an exhaustive description of those rights.

Exercise Price
Each Option gives its holder the right to subscribe for 1 Share in LCT at an exercise price of 22 cents per share for Underwriter's Options, and 21 cents per share for Class A and Class B Options. All Shares issued upon exercise of an Option will rank from date of allotment equally with existing Shares.

Exercise Dates
> Underwriter's Options are fully exercisable at any time up to and including 30 June 2008.
> Class A Options are fully exercisable at any time after issue until and including 30 June 2010.
> Class B Options are partially exercisable on an increasing scale of 25% increments corresponding to specified level of funds raised by LCT from all sources.

Rights
None of the Options confer participating rights or entitlements. In particular, Optionholders are not entitled to participate in new issues or bonus issues of capital offered to members of LCT without first exercising their Options. Options do not confer a right to a change in the exercise price or a change in the number of Shares over which the Options can be exercised, except in the event of a reorganisation of capital.

Notice and Meetings
Optionholders are entitled to receive all notices of general meetings and all reports and accounts of LCT required to be laid down before members in general meeting. However, Optionholders are not entitled to attend or vote at general meetings of LCT unless they are entitled to do so in the capacity as a member of LCT.

Reorganisation
Upon any re-organisation of LCT, the number of Options will be reorganised in the same manner as the ordinary shares of LCT.

Transfer
An Option holder may transfer all or any of its Options at any time prior to the applicable exercise date provided that any such transfer must be effected in a form approved by LCT and that the transfer does not contravene any escrow arrangements that have been applied to those Options.

10.5 Rights attaching to B and C Class Convertible Notes

The following paragraphs contain a summary of the principal rights that attach to both B Class and C Class Convertible Notes. The description is not an exhaustive description of those rights.

Share Issue
Each Convertible Note confers on the noteholder an option to convert all of the Convertible Notes held by it at the time to Shares for an issue price of A$0.21 per Share. The Shares issued will rank equally with all existing Shares.

Automatic Redemption
The Convertible Notes will automatically be redeemed at the earliest to occur of the following :

> Five business days after LCT raising $6 million (in the case of B Class Convertible Notes) or $8 million (in the case of C Class Convertible Notes) through the issue of Shares from 21 January 2004;
> 21 July 2008;
> LCT entering into any form of insolvency administration; or
> LCT breaching any of the terms of the Convertible Notes and failing to remedy that breach within 20 business days of receiving notice to do so.

In addition, the B Class Convertible Notes will automatically be redeemed on each A$1 million raised by LCT through the issue of Shares (to a maximum of $6 million) from 21 January 2004 unless the noteholder elects to convert the Convertible Notes to Shares (at an issue price of A$0.21).

The subscription price for each B Class Convertible Note was A$113,354.83 and $216,136 for the C Class Convertible Note.

Interest
The Convertible Notes bear interest at a rate of 5% per annum on the subscription price from 17 October 2003 until converted into Shares.

Interest accrued may be paid by LCT on 31 December each year, or may accumulate at the election of LCT. If requested by the noteholder, the interest may be paid by way of issue of Shares at a fair market value.

Rights
The Convertible Notes do not confer on the noteholder any entitlement to participate in any pro rata issue. Nor do they confer any voting rights.

The Convertible Notes confer on the noteholder an entitlement to participate in a bonus issue as if the Convertible Notes had been converted into Shares.

LCT has entered into an agreement with the Underwriter to issue further Convertable Notes should any of the B Class Notes be redeemed.

10.5.1 Rights attaching to D and E Class Convertible Notes

Conversion
The Noteholder of each of the D and E Class Convertible Notes may elect to convert the Convertible Notes to Shares at any time. The Convertible Notes will automatically convert upon LCT raising at least $2.5 million and receiving approval to list on ASX.

The subscription price for the D Class Convertible Note was A$150,000. The subscription price for the E Class Convertible Note is expected to be A$100,000.

The D Class Convertible Note will expire on 15 April 2007, and the E Class Convertible Note will expire three years after issueance.

Share Issue
Where the Convertible Notes are converted prior to LCT being listed on ASX, the issue price of the Shares will be the lower of A$0.20 and the price payable by investors pursuant to the last capital raising undertaken by the Company prior the conversion.

If the Convertible Notes are converted on the listing of LCT on ASX, the price per Share is the price payable by investors pursuant to the capital raising undertaken by LCT in conjunction with its listing.

The Shares issued will rank equally with all existing Shares.

Interest
The Convertible Notes will bear interest at a rate of 11% per annum on the subscription price from 1 July 2004 to the date of conversion or redemption. Interest is to be paid quarterly, and within 7 days of the date of conversion.

Security
If LCT has not listed on ASX by 30 September 2004, the Noteholders may take security by way of a fixed and floating charge over the assets of LCT.

Rights
The Convertible Notes do not confer on the Noteholder any entitlement to participate in any pro-rata issue, nor do they confer any voting rights.

The Convertible Notes confer on the Noteholder an entitlement to participate in a bonus issue as if the Convertible Notes had been converted into Shares

10.6 Underwriting

LCT has entered into an Underwriting Agreement with the Underwriter pursuant to which the Underwriter has agreed to underwrite only the Rights Issue component of the Offer. The General Issue is not underwritten

LCT has agreed to pay the Underwriter an underwriting commission fee of 5% of the total funds raised under the Rights Issue (Rights Issue Funds), a management fee of 1% of the Rights Issue Funds and, if there is no Rights Issue Shortfall, a 5% handling fee on those funds raised under this Prospectus which are in excess of the Rights Issue Funds.

LCT has also agreed to:

> pay the Underwriter a 5% handling fee of the total funds raised under the share placement referred to in section 2.1 of this Prospectus; and
> grant the Underwriter 1,000,000 options to subscribe for Shares with and expiry date of 30 June 2008 and an exercise price of A$0.22.

If the Underwriter becomes aware of any one or more of the following events prior to the issue of the Rights Issue Shares under the Offer, the Underwriter may terminate the Underwriting Agreement, without cost or liability to itself:

Disclosures
The Prospectus does not contain information regarding the Offer which is required under the Corporations Act to be contained in the Prospectus including:

> all information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the rights and liabilities attaching to the New Shares; and
> all information that investors and their professional advisers would reasonably require, and reasonably expect to find in the Prospectus, for the purpose of making an informed assessment of the assets, liabilities, financial position and performance, losses and prospects of LCT;

Misleading or deceptive
A statement contained in the Prospectus is misleading or deceptive, a material matter is omitted from the Prospectus or the issue of the Prospectus is misleading or deceptive;

Adverse change
Any one of the following circumstances occurs and LCT fails to lodge a supplementary or replacement prospectus:

> there is a misleading or deceptive statement in the Prospectus or Application Forms;
> there is an omission from the Prospectus or Application Forms of information required by the Corporations Act to be included; or
> a new circumstance has arisen after the date the Prospectus is lodged and would have been required by the Corporations Act to be included in the Prospectus or Application Forms if it had arisen before the date the Prospectus is lodged;

Compliance with regulatory requirements
There is a material contravention by LCT of the Corporations Act, its constitution or the Listing Rules including a material failure by LCT to comply with its continuous disclosure obligations under the Corporations Act or the Listing Rules;

Director offence
A director of LCT is charged with an indictable offence;

Offer
The Prospectus or any aspect of the Offer breaches the Corporations Act or any other applicable law or regulation in any material respect;

Listing approval
Where LCT has made application for the official quotation of all of the New Shares on NSX, approval of that application is refused or not granted (subject only to customary listing conditions) or, if granted, the approval is subsequently withdrawn, qualified or withheld;

Insolvency
LCT or a related body corporate is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act;

> *Receiver appointed*
a receiver, trustee or administrator or any similar official is appointed, or steps are taken for such appointment, over any of the assets or undertaking of LCT (or a related body corporate) or a resolution is passed, or an application or order is made, for the winding up or dissolution of LCT (or a related body corporate) otherwise than for the purpose of an amalgama-tion or reconstruction which has the prior consent of the Underwriter;

Alteration to capital structure or constitution
LCT or a related body corporate alters its capital structure or constitution without the prior written consent of the Underwriter;

ASIC order
ASIC:

> issues proceedings in relation to the Offer;
> issues an order under section 739 of the Corporations Act in relation to the Offer, which is not dismissed or withdrawn by the Closing Date; or
> makes an application for an order under section 1324B of the Corporations Act in relation to the Prospectus which is not dismissed or withdrawn by the Closing Date;

Withdrawal
LCT withdraws the Prospectus or the Offer;

Compliance with agreement
There is a material default by LCT in the performance of any of its obligations under the Underwriting Agreement;

All Ordinaries Index
The Australian All Ordinaries Index closes at more than 5% or below its level on the business day before the date of the Underwriting Agreement, and is at that level or below at close of trading for 3 consecutive business days;

Hostilities
Hostilities not presently existing commence or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, the European Union, Japan, Russia or the People's Republic of China;

Change in law
There is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Commonwealth or State authority, adopts or announces a proposal to adopt a new policy any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets;

Material adverse change
> There is a material adverse is a material adverse change in: the assets, liabilities, financial position and performance, profits, losses or prospects of LCT (including any adverse change in the assets, liabilities, financial position, profits, losses or prospects of LCT or any of its related bodies corporate from those respectively disclosed in the Prospectus) or;
> the level of sub-underwriting commitments which the Underwriter reasonably considered (as at the date of the Underwriting Agreement) it would obtain in respect of the Rights Issue Shares;

Prescribed occurrences
Any event set out in section 652C of the Corporations Act occurs in relation to LCT or a related body corporate;

Timetable
Any event specified in the timetable for the Offer is delayed for more than 10 business days without the prior approval of the Underwriter (acting reasonably);

Material contracts
Any material contract summarised in the Prospectus is terminated or amended in a material respect or any such contract is found to be void;

Banking moratorium
A general moratorium on commercial banking activities in Australia, the United Kingdom or the United States of America is declared by the relevant central banking authority in any of those countries and remains in force for 2 consecutive business days;

Adverse change in financial markets
There occurs any material adverse change or material adverse disruption to the political or economic conditions or financial markets in Australia, the United Kingdom or the United States of America.

In the case of the happening of an event referred to in the above paragraphs entitled *Hostilities, Change in law, Material adverse change, Prescribed occurrences, Timetable, Material contracts, Banking moratorium,* or *Adverse change in financial markets*, the Underwriter may not terminate unless it has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the outcome of the Offer, or could give rise to a liability of the Underwriter under any law or regulation.

The other key terms of the Underwriting Agreement are:

Indemnity
LCT has indemnified the Underwriter and its directors, officers and employees ("Indemnified Parties") in relation to any loss they incur as a result of the Offer, this Prospectus any other public announcement in relation the Prospectus or the Offer, a breach by LCT of the Underwriting Agreement or any of the representations and warranties by LCT contained in the Underwriting Agreement not being true and correct.

Sub-Underwriting
The Underwriter may at any time appoint sub-underwriters to sub-underwrite some or all of the underwritten shares and nominate the persons to which all or any of the underwritten shares are to be issued

Warranties, Representations and Undertakings
LCT has given the Underwriter warranties and representations in relation to LCT, the Prospectus and compliance with regulatory requirements.

10.7 Material Contracts

Contract Research Agreement
On 2 December 2003, Living Cell Products Pty Ltd ("LCT Products") entered into a contract with Maccine Pty Ltd ("Maccine") under which, among other things:
> Maccine agreed to conduct pre-clinical trial research for LCT Products at its laboratories in Singapore in relation to porcine islet transplantation into primates, and to supply LCT Products with the primates required for the studies;

> LCT Products agreed to provide all other materials, equipment, instruments, documents and facilities required to conduct such research;
> each party agreed to grant to the other a royalty free non-exclusive licence to use the party's background information on the following basis:
> title to the background information and know-how brought or used in connection with the research remains with the party who introduced that background information;
> all foreground information belongs to LCT Products, and Maccine is to co-operate with LCT Products to do all such things and acts and sign all documents to transfer the intellectual property comprising the foreground information to LCT Products;
> LCT Products agreed that, if Maccine discovers any incidental information (i.e. information that is outside the scope of the research objective), then Maccine will be entitled to retain property in that incidental information and to use, licence, sell or commercially exploit the incidental information as it sees fit.

The term of the agreement expires on 14 February 2005 or such other date as agreed between the parties, unless terminated earlier. The agreement may be terminated by either party if the other party breaches the agreement and does not remedy the breach within 30 days of being requested to do so, or if the other party becomes insolvent.

The agreement may also be terminated by Maccine by written notice if LCT Products or its staff is guilty of any fraud, cheating, dishonest act, theft or misconduct or if the research or any of the materials become a subject of any ethical, moral or legal controversy anywhere in the world, which (in
Maccine's reasonable opinion) may cause Maccine's good name and reputation to be prejudiced.

Maccine is only liable under the agreement for loss or damage suffered due to its wilful default or negligence. Maccine's liability is further limited to a monetary amount which is equal to the total fees payable to Maccine under the agreement.

The governing law of the agreement is the law of the Republic of Singapore.

Contract for the Supply of Animals
This agreement was entered into on 23 April 2003 between Pancell New Zealand Ltd, a company owned by David Collinson, Robert Elliott and Alexander Ferguson ("Pancell") and LCT Products. Under this agreement, Pancell supplies piglets on an exclusive basis to LCT Products for the purpose of extracting living cells for use in xenotransplantation into humans as medical therapy. The term of the agreement is for two years and will be automatically renewed for four successive periods of two years each unless LCT Products terminates the agreement.

Pancell is required to ensure that at all times it has sufficient resources and suitably qualified and experienced personnel necessary to provide the animals as required by LCT Products for pre-clinical trials.

The parties are required to keep all confidential information disclosed to them confidential.

The agreement may be terminated if either party commits a substantial breach of the agreement and that breach is not remedied within 21 days. It may also be terminated if one of the parties becomes insolvent.

The agreement is governed by the laws of New Zealand.

Option Deed for Purchase of Shares
This agreement was made on 23 April 2003 between the shareholders of Pancell (being David Collinson, Robert Elliott and Alexander Ferguson), LCT Products and Pancell. Under the agreement, LCT Products is granted with a call option to purchase the entire share capital of Pancell for the sum of NZ$300,000 in cash or shares (increasing by NZ$12,000 per month from January 14, 2004). The option may be exercised at any time before 17 October 2005.

If the option is exercised, the parties are required to enter into a Share Sale Agreement which is conditional on the following:
> Pancell obtaining all necessary consents and approvals required in relation to the sale of the shares;
> Pancell's shareholders having capitalised the shareholder loan accounts;
> LCT Products having completed satis factory due diligence investigations in relation to the business and the assets of Pancell;
> Alexander Ferguson entering into an employment contract with LCT Products; and
> Pancell's shareholders having reached agreement with Southland Heirloom Breeds Charitable Trust in relation to access of Auckland Island pigs.

Pancell's shareholders are required to provide standard warranties and the sale is otherwise on standard commercial terms.

Option Deed for Purchase of Assets
This agreement was made on 23 April 2003 between Pancell and LCT Products. Under the agreement, LCT Products is granted with a call option to purchase the assets of Pancell for the sum of NZ$300,000 in cash or shares (increasing by NZ$12,000 per month from January 14, 2004). The option may be exercised at any time before 17 October 2005.

If the option is exercised, the parties are required to enter into an Asset Sale Agreement which is conditional on the following:

> Pancell obtaining all necessary consents and approvals to the sale of the business and the assets (including the consent of the landlord to the assignment of the lease of the premises on which the business is conducted);
> Alexander Ferguson entering into an employment contract with LCT Products;
> LCT Products having completed satisfactory due diligence investigations in relation to the business and assets;
> Pancell having reached agreement with Southland Heirloom Breeds Charitable Trust in relation to access of Auckland Island pigs.

Pancell is required to give standard warranties and the sale is otherwise on standard commercial terms.

Alginate Supply Agreement
This supply agreement was made on 6 February 2004 by LCT Products and the Department of Internal Medicine and Endocrine and Metabolic Sciences, University of Perugia ("DIMEMS").

Under the agreement, DIMEMS agrees to provide up to one litre of purified alginate per month to LCT Products for a monthly fee of $4,000.

This monthly fee includes payment for the transfer of DIMEMS's right, title and interest in the technology to encapsulate cells using alginate as at the date of the agreement, together with all developments on that technology which may be made during the term of the agreement.

The term of the agreement is 12 months and may be terminated earlier on one month's notice by either party if the other party has breached the agreement and not rectified its breach within 14 days of being requested to do so.

DIMEMS is required to keep all proprietary information of LCT Products confidential. DIMEMS may publish results of the efforts resulting from the performance of the supply agreement if it first obtains the consent of LCT Products.

DIMEMS may not use the technology transferred to LCT Products under the agreement for any commercial purpose other than to supply alginate to LCT Products.

The governing law of the agreement is the law of Australia.

10.8 Litigation
There is no outstanding litigation that LCT is currently defending or any litigation pending of which the Directors are aware.

10.9 Restricted Securities
Under the ASX Listing Rules, the ASX has the discretion to impose escrow restrictions on certain existing securities of LCT. The ASX imposes such escrow restrictions as a condition of granting LCT's application for official quotation of the Shares on the ASX. As such, prior to the official quotation of the Shares on the ASX, the holders of restricted securities (as determined by the ASX) will be required to enter into restriction agreements. The escrow restrictions provided for in the restriction agreements will prohibit the transfer of ownership of some of the Shares and Options held by existing shareholders and optionholders.

LCT has already required a number of its shareholders and optionholders to enter into restriction agreements in anticipation of the ASX's determination as to who holds restricted securities. As at the date of this Prospectus, it is not known whether the already executed restriction agreements will satisfy the ASX's requirements or whether additional shareholders will be required to enter into restriction agreements.

None of the Shares to be issued pursuant to this Prospectus will be restricted securities.

10.10 Directors' Interests
As at the date of this Prospectus, each of the Directors has a relevant interest in Shares and holds Options to acquire Shares as follows:

Director	Shares	Options
Michael Yates	Nil	Nil
Simon O'Loughlin	Nil	Nil
Robert Elliott	1,862,638	2,123,300
David Collinson	6,979,981	2,123,300
Roger Coats	169,543	1,498,720

Mr Collinson and Professor Elliott are also part owners of Pancell New Zealand Limited, a company which has entered into three agreements with LCT Products. Each of these agreements are on arms-length commercial terms and a summary of them is contained in Section 10.7.

An insurance policy is currently being negotiated which covers the Directors against civil liabilities they may incur through their participation in the Offer, including liabilities arising under this Prospectus and again certain costs and expenses.

Except as disclosed in this Prospectus, no Director or proposed Director has, or has had in the two years before the date of this Prospectus, an interest in:
> the formation or promotion of LCT;
> any property acquired or proposed to be acquired by LCT in connection with the formation or promotion of the Company; or
> the Offer.

10.11 Payments to Directors

LCT's Constitution provides that the Directors are entitled to be remunerated out of the funds of LCT; such remuneration is to be fixed by resolution of a general meeting. At the date of this Prospectus no resolution of a general meeting in respect of remuneration of the Directors has been passed.

The non-executive Directors are entitled to be paid director's fees of $48,000 per year. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors. Where the Company requests non-executive Directors or their related entities to perform services outside the normal scope of their duties as Directors, further amounts may be paid at ordinary commercial rates for such services.

Mr Michael Yates (the Chairman of the Board of Directors) is entitled to receive a director's fee of A$60,000 per annum.

Mr Simon O'Loughlin (a non-executive Director) is entitled to receive a director's fee of A$48,000 per annum.

Professor Robert Elliott (an executive Director) is entitled to receive a salary package of NZ$150,000 per annum in addition to directors' fees of A$48,000 per annum.

Mr David Collinson (an executive Director) is entitled to receive a salary package of NZ$150,000 per annum in addition to directors' fees of A$48,000 per annum.

Mr Roger Coats (an executive Director) is entitled to receive a salary of A$155,000 per annum, plus superannuation contributions of A$15,000 per annum.

Except as disclosed in this Prospectus, no person has paid or agreed to pay any amount or has given or agreed to give any benefit to any Director or proposed Director to induce them to become, or to qualify as a Director or for services provided by the Director or proposed Director, in connection with:
> the formation or promotion of the Company; or
> the Offer.

10.12 Interests of Experts and Advisors

Fennell Allen & Co has acted as financial and accounting advisers to LCT in relation to the Offer. Fennell Allen & Co's fees for this work up to the date of lodgement of this Prospectus will be approximately A$72,500 (plus any applicable GST). Fennell Allen & Co will receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates. Chris Fennell, a partner of Fennell Allen & Co is company secretary of LCT and has a beneficial interest in 71,527 shares and 247,690 Class A and 1,232,500 Class B options.

Taylor Collison Limited has acted as underwriter to the Offer. Taylor Collison will receive the fees set out in section 10.6. As at the date of this Prospectus, Taylor Collinson Limited and companies associated with it together hold 1 million Options and the D Class Convertible Notes.

Johnson Winter & Slattery has acted as legal adviser to LCT in relation to the Offer. Johnson Winter & Slattery's fees for this work up to the date of lodgement of this Prospectus will be approximately A$80,000 (plus any applicable GST). Johnson Winter & Slattery will receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

Grant Thornton has acted as investigating accountant to the Company in respect of the Offer and will be paid approximately A$5,000 for its services up to the date of lodgement of this Prospectus. Grant Thornton will receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

A J Park has been engaged to prepare the Report on Intellectual Property for inclusion in this Prospectus and will be paid approximately NZ$1,650 for this work up to the date of lodgement of this Prospectus. A J Parks receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

Acuity Technology Management has been engaged to prepare the Independent Expert's Report on LCT's technology for inclusion in this Prospectus and will be paid approximately A$5,600 (plus GST) for this work up to the date of lodgement of this Prospectus.

Acuity Technology Management will receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

Except as disclosed in this Prospectus, no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation and distribution of this Prospectus, in connection with the promotion or formation of LCT or in connection with the Offer.

10.13 Taxation

The following comments concerning the taxation implications of investors are necessarily general in nature and deal only with the position of Australian residents. In particular, these comments do not address all tax considerations applicable to investors that may be subject to special tax rules, such as banks, insurance companies and taxpayers that carry on a business of trading in Shares.

These comments are based on the law in Australia in force at the time of issue of this Prospectus. The precise implications will depend upon each investor's specific circumstances. If you have any doubts regarding possible taxation consequences about applying for New Shares, you should contact your taxation adviser.

Neither LCT nor any of its officers accept any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences themselves.

Current Australian income tax legislation incorporates a capital gains tax regime.

A capital gain is included in the assessable income of the taxpayer, and the taxpayer may be subject to income tax on the capital gain. You may make a capital gain if the capital proceeds from disposal of shares are more than the cost base of the shares. Ordinarily the cost base of shares you acquire is the total of the amount you paid for the shares plus your acquisition and disposal costs. If the capital proceeds from disposal of shares are less than their reduced cost base you make a capital loss.

Taking Up your Rights Issue Entitlements
Under current Australian income tax legislation, the exercise of any Rights issued to Shareholders under this Prospectus to acquire Rights Issue Shares is not subject to capital gains tax.

Disposal of New Shares
Where an Australian resident investor disposes of a share for an amount in excess of its cost base, the investor may be taxed on any capital gain arising on the disposal.

The capital gain will generally equal the excess (if any) of the consideration received for the share less any selling costs over the cost base of the share (being its acquisition price and generally any other acquisition costs). Indexation no longer applies.

The capital gain arising to an individual or a trust (other than a trust that is complying superannuation entity) may be reduced by 50%, but only if the New Shares are disposed of more than 12 months after their acquisition. For a complying superannuation entity, such a capital gain may only be reduced by 33.33%.

New Shares you acquired as a result of the exercise of your Rights will be treated for capital gains tax purposes as having been acquired on the day you exercised the Rights. Your capital gains tax cost base for the New Shares will include the amount you paid to exercise the Rights.

10.14 Expenses of the Offer

The total estimated expenses of the Offer to be borne by LCT, including underwriting fees, legal fees, registration fees, fees for other advisers, Prospectus design, printing and advertising expenses and other miscellaneous expenses are expected to be approximately $576,600 (exclusive of GST) including the handling fee for the General Issue (see section 10.6)

10.15 Consents to being named in this Prospectus

PKF has given, and at the time of lodging this Prospectus, has not withdrawn its consent to be named as auditors to LCT in the form and context in which it is named. PKF takes no responsibility for any other part of this Prospectus, other than the references to its name.

Fennell Allen & Co has given, and at the time of lodging this Prospectus, has not withdrawn its consent to be named as financial and accounting advisers to LCT in the form and context in which it is named. Fennell Allen & Co takes no responsibility for any other part of this Prospectus, other than the references to its name.

Johnson Winter & Slattery has given, and at the time of lodging this Prospectus, has not withdrawn its consent to be named as legal advisers to LCT in the form and context in which it is named. Johnson Winter & Slattery takes no responsibility for any part of this Prospectus, other than references to its name.

Taylor Collison Limited has given, and at the time of lodging this Prospectus, has not withdrawn its consent to be named as underwriter to the Offer in the form and context in which it is named. Taylor Collison takes no responsibility for any part of this Prospectus, other than references to its name.

Computershare Investor Services Pty Limited has given, and at the time of lodging this prospectus, has not withdrawn its consent to be named as Share Registry for LCT in the form and context in which t is named. Computershare Investor Services Pty Limited takes no responsibility for any part of this Prospectus other than references to its name.

AJ Park has given, and at the time of lodging this Prospectus, has not withdrawn its consent to being named as patent attorneys to the Company in this Prospectus and to the inclusion of its letter of 15 April 2004 in the form and context in which it appears. A J Parks has not been involved in the preparation of any part of this Prospectus other than its letter of 15 April 2004 nor authorised or caused the issue of this Prospectus.

Acuity Technology Management Pty Ltd has given, and at the time of lodging this Prospectus, has not withdrawn its written consent to being named as independent expert to the Company in this Prospectus and to the inclusion of its report dated 10 May 2004 in the form and context in which it appears. Acuity Technology Management Pty Ltd has not been involved in the preparation of any part of this Prospectus other than its report dated 10 May 2004 nor authorised or caused the issue of this Prospectus.

Grant Thornton has given and, at the time of lodging this Prospectus has not withdrawn its consent to be named in this Prospectus in the form and context in which it is named, and to the inclusion of the Investigating Accountant's Report in the form and context in which it is included. Grant Thornton has not authorised or caused the issue of this Prospectus and take no responsibility for any part of this Prospectus other than references to its name and the Investigating Accountant's Report.

10.16 Directors' Consents

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent prior to lodgement of this Prospectus.

Signed on behalf of LCT pursuant to a resolution of the Board on 14 May 2004.

Director

$* or *A$ means Australian dollars.
Additional Shares means, subject to any Shortfall from the Rights Issue, the number of New Shares to which Shareholders may apply to subscribe for in addition to their entitlement to subscribe for 1 New Share for every 2 Shares held on the Record Date.
Application Forms means the application form accompanying this Prospectus (which form is to be completed by investors wishing to apply for General Issue Shares).
Application Monies means the monies received from persons applying for New Shares pursuant to the terms of the Offer.
ASIC means the Australian Securities and Investments Commission.
ASX means Australian Stock Exchange Limited ACN 008 624 691.
ASX Listing Rules means the official listing rules of ASX.
Closing Date means 23 June 2004, unless that date is extended.
Constitution means LCT's constitution.
Convertible Notes means convertible notes issued by LCT.
Corporations Act means the Corporations Act 2001.
Directors means the directors of LCT.
Entitlement means the right to subscribe for 1 New Share for every 2 Shares held on the Record Date.
Entitlement and Acceptance Form means the entitlement and acceptance form accompanying this Prospectus (which form is to be completed by Shareholders wishing to apply for Rights Issue Shares and Additional Shares).
FDA means Federal Drug Administration of the United States.
General Issue means the offer of 10,000,000 Shares for subscription at a price of A$0.20 (or NZ$0.23) per Share under this Prospectus.
General Issue Share means a Share offered for subscription pursuant to the General Issue.
Issue means the Rights Issue and the General Issue.
LCT or *Company* means Living Cell Technologies Limited.
Listing Rules means the ASX Listing Rules and the NSX Listing Rules.
New Share means a Share offered for subscription under either the Rights Issue or the General Issue.
Non-Qualifying Foreign Investors means investors or Shareholders whose registered address is outside of Australia and New Zealand.
NSX means Stock Exchange of Newcastle Ltd.
NSX Listing Rules means the official listing rules of NSX.
NZ$ means New Zealand dollars.
Offer means the offer of New Shares pursuant to this Prospectus.
Option means an option to subscribe for 1 ordinary share in LCT.
Prospectus means this prospectus dated 14 May 2004.
Record Date means the date for determining entitlements under the Rights Issue and is expected to be at the close of business on 21 May 2004.

Right means the right of a Shareholder to subscribe for 1 New Share for every 2 Shares held on the Record Date and *Rights* as a corresponding meaning.
Rights Issue means the offer of approximately 24,128,829 ordinary shares at a price of A$0.20 cents (or NZ$0.23) per Share to each Shareholder on a non-renounceable basis in the proportion of 1 New Share for every 2 Shares held on the Record Date under this Prospectus.
Rights Issue Share means a Share offered for subscription pursuant to the Rights Issue.
Rights Issue Shortfall means the number of Rights Issue Shares for which valid applications have not been received by 5:00pm on the Closing Date.
Share means a fully paid ordinary share in LCT.
Shareholder means a registered holder of Shares.
TGA means Therapeutic Goods Administration in Australia.
Underwriter means Taylor Collison Limited, the underwriter of the Rights Issue.
Underwriting Agreement means the agreement made between the Underwriter and LCT as described in Section 10.6 of this Prospectus.
US$ means United States dollars.

Directors
Michael Yates
Simon O'Loughlin
Robert Elliott
David Collinson
Roger Coats

Company Secretary
Christopher Fennell

Registered Office
1st Floor
Fennell Allen & Co Building
160 Greenhill Road
Parkside SA 5063
www.lct.com.au

Legal Adviser
Johnson Winter & Slattery
211 Victoria Square
Adelaide SA 5001

Accountant
Fennell Allen & Co
160 Greenhill Road
Parkside SA 5063

Share Registry
Computershare Investor Services Pty Limited
ACN 078 279 277
Level 5, 115 Grenfell Street
Adelaide SA 5000
Telephone 1300 556 161
Facsimile (08) 8236 2305

Computershare Investor Services Pty Limited
Private Bag 92119
Auckland 1030
New Zealand

Auditor
PKF
1st Floor, 44 Greenhill Road
Wayville SA 5032

Underwriter
Taylor Collison Limited
2nd Floor
12 Pirie Street
Adelaide SA 5000

This is an important document and should be read in its entirety. You should consult your investment adviser if you are in doubt as to the course of action you should take, or if you require further explanation of its terms.