

The Living Cell



Visit the Website | Contact Us | Refer a friend | Printable Version

Dear #First Name#

You are subscribed as
#Email#.
Click here to update your
details.

**Message from Chairman
and CEO**

Welcome to the Quarterly Investor Newsletter. It has been a significant quarter for LCT, with the start of a Phase I/IIa Type I diabetes clinical trial for our DiabeCell® product, listing in the US through the American Depository Receipt program (US OTC: LVCLY) and establishment of the world's first accredited xeno testing facility.

We have been overwhelmed by the support and interest received from diabetes sufferers across the globe - from Portugal to Korea, Germany to Russia – wanting to be kept informed of trial progress.

The Company is continuing to expand upon its links in the United States and the appointment of The Channel Group to the US subsidiary Board of

LCT achieves further world-first capabilities

22 May - **Another World-First for LCT's Xeno Facilities**

LCT awarded world-first IANZ accreditation for xenotransplantation laboratory

- Major step toward commencing DiabeCell® clinical trials in New Zealand in 2007
- Xenotransplant laboratory is accredited to test and monitor for a range of animal & human viruses and its lab reports will be accepted by forty-nine countries including: the US, UK, and Canada. <http://www.lctglobal.com/news/165.php>

14 June - **Diabetes Patient Successfully Transplanted in World-first DiabeCell® Trial**

- First type I diabetes patient was successfully dosed with DiabeCell® pig cells
- DiabeCell® therapy is aimed at controlling the dangerous blood glucose levels and long-term secondary complications affecting people with type I diabetes
- LCT is conducting the clinical trial according to stringent international regulatory guidelines <http://www.lctglobal.com/news/167.php>



Image: The prestigious Sklifasovsky Institute in Moscow, where LCT's Phase I/IIa Diabetes Clinical Trial is being conducted.

2 July - **Appoints The Channel Group to Lead Commercial and Capital Markets Initiatives**

LCT has appointed Robert J. Beckman, Dr. Allan R. Goldberg and Philip N. Sussman, Managing Partners of The Channel Group, LLC (TCG), a New York based life science venture development and management firm, to the board of directors of Living Cell's U.S. subsidiary LCT BioPharma Inc. The three new directors will serve as the U.S. management team for Living Cell and assist in further building relationships with pharmaceutical and biopharmaceutical companies, as well as investors.

<http://www.lctglobal.com/news/168.php>

Directors this quarter is likely to enhance our US network. The Channel Group has strong connections in the US health and life science market and brings a wealth of experience in the biotechnology industry.

We were also very pleased to see LCT featured in both Diabetes Wellness New (US) and the JDRF newsletter (AUS). The articles show the increasing support for xeno cell therapy world-wide and amongst the scientific community.

We hope you enjoy this quarterly review and finding out more about our hearing loss research program. Our initial diabetes clinical trial results will be reported in the January quarter of next year, with a subsequent clinical trial intended to start before the end of this year in New Zealand.

We look forward to keeping you informed of these developments and updating you on the Company's progress at the Annual General Meeting to be scheduled in November.

*Simon O'Loughlin,
Chairman
Dr Paul LJ Tan, CEO*

18 July - Launch of US ADR Trading Program

LCT is capitalising on growing US investor interest in the Company through the establishment of a Level 1 American Depositary Receipt Program (ADR) sponsored by the Bank of New York. The Company's ADRs became effective on 17 July and will trade under the ticker symbol 'LVCLY'. Each ADR will represent 10 ordinary LCT shares. The Company's CUSIP number is 53838R107. The ADR program facilitates the purchase of LCT stock in the over-the counter (OTC) pink sheet market by US investors. ADR's can be purchased by contacting your broker.

<http://www.lctglobal.com/news/170.php>

Financials

Ordinary shares	152.8 million
Listed options	24,549,664
Market cap.	\$19.9m
No. shareholders	1,366
Share price	0.13

Product Portfolio

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

LCT's NtCell - Therapeutic potential in the cochlea?

Normally the nerve which supplies auditory information to the brain stays strong and healthy due in part to support from neurotrophins. However, following sensorineural hearing loss (SNHL) the supply of the neurotrophins to the nerve is disrupted and the spiral ganglion neurons (SGNs) progressively die.

The application of neurotrophins in the deafened cochlea has been robustly shown to protect residual SGNs from degeneration; however, a safe & effective delivery technique is yet to be established. The aim of this research is to protect the SGNs following SNHL with encapsulated neuroprotective cells (LCT's NeurotrophinCell product).

Our preliminary results show that un-encapsulated neuroprotective cells transplanted into the cochlea can increase SGN survival following SNHL. However, these cells dispersed and were lost via the cochlear aqueduct.

Therapeutic potential of encapsulated neuroprotective cells:

- Fix the transplanted cells within the cochlea
- Isolate neuroprotective cells from the host immune system
- Allows free passage of neurotrophins to the auditory nerve
- Enable continuous delivery of neurotrophic factors
- Potentially provide permanent rescue of SGNs from degeneration following SNHL

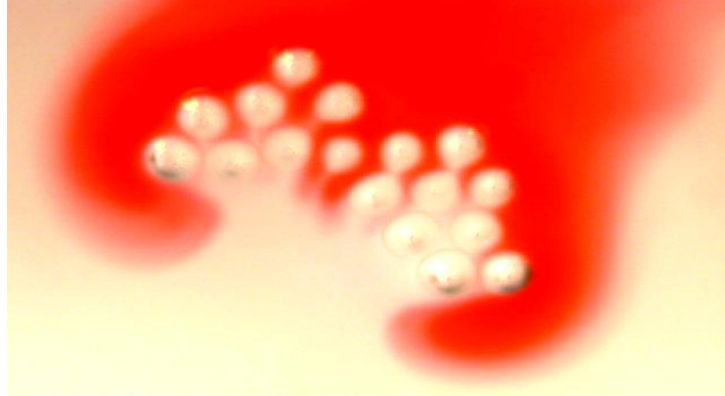
Given that unencapsulated cells protect SGNs we expect the encapsulated cells to:

- Produce a survival effect on deafened SGNs
- Remain anchored within the cochlea
- Remain immunoisolated from the host animal
- Enhance SGN survival when combined with a cochlear implant

Jaqueline Andrew, PhD candidate, The Bionic Ear Institute *This research forms part of a PhD thesis and collaboration between The Bionic Ear Institute, The University of Melbourne and Living Cell Technologies Ltd.
Information from presented poster at the IBRO2007 conference, July 2007*

LCT's Hearing Loss project was recently short-listed in the 2007 New Scientist Eureka Prize for Science Photography. The entry will be included in the NewScientist Eureka Prize for Science Photography Exhibition at the Australian Museum on before travelling to venues around Australia to July 2008. The short-listed entries will also be published in *New Scientist* magazine.

Image: Infiltration of the red fluorescent stain eosin into 17 of LCT's alginate capsules being used in the Bionic Ear collaborative project.



LCT in the News...

LCT was recently featured in the publication '*Diabetes Wellness News*', from the US Diabetes Research and Wellness Foundation Inc. The article indicated strong and growing support for the use of pig cells in diabetes research, with numerous international experts in the field quoted.

"We really need to solve the supply problem of islet cells for transplant. The potential for human donation is about 12,000 to 13,000 people who die every year under circumstances where we could take organs. But we only get permission for a little bit more than half. And even if we got permission from all, we would still have a shortage. But there's a pig for everyone." *Dr David ER Sutherland, Director of the Diabetes Institute for Immunology and Transplantation.*

"The risk of infection [of cell transplants] is extremely low. People have been saying that the PERV virus might do humans harm. But I don't think that infection is going to be the big problem....I did heart transplants for 17 years and we were always transferring infections. We know that pigs will be much cleaner than human donors.Dr Elliott's work is more encouraging than the other trials [held to date in islet cell transplantation]" *David KC Cooper, Thomas E Starzl Transplantation Institute of the University of Pittsburgh Medical Centre.*

PO Box 3014
Auburn, Victoria, Australia 3123
Paris Brooke, General Manager
+61 3 9886 0247
pbrooke@lctglobal.com

PO Box 23 566
Papatoetoe, Auckland, New Zealand
Richard Justice, Chief Financial Officer
+64 9 276 2690 Extension 739
rjustice@lctglobal.com

