

# The Living Cell



A quarterly newsletter from Living Cell Technologies

July issue 2008

## Message from the CEO

Welcome to our quarterly investor newsletter. It has been an exciting quarter for LCT, with the fifth patient commencing the Phase I/IIa DiabeCell® clinical trial. Results from the trial have continued to draw world-wide attention following the impressive outcomes achieved in the early stage of the trial.

We have validated an early observation that the lowest dose of DiabeCell® produced insulin in the first two implanted patients. This was confirmed by the finding that porcine insulin was present in the bloodstream of the first and second patients 11 months and 6 months, respectively, after receipt of the implant.

The 6-month interim data revealed no remarkable adverse events to date. Accordingly, the clinical team revised an expanded protocol and the number of trial patients will increase from 6 to 10 and the dose of DiabeCell® per implant will be doubled.

The encapsulation technology behind our success with DiabeCell® has received widespread recognition in the medical community because it enables the implantation of porcine cells without the need to use toxic immunosuppressive drugs. The invitation to present at two international conferences of high standing is testimony to that recognition.

The Australian share market remains volatile and whilst LCT is not protected from this volatility our steady and



▲ Dr Paul Tan, CEO of LCT (far right) and Dr Christopher Missing of Brimberg, New York (middle) with New Zealand's Research Science & Technology and Economic Development Minister Pete Hodgson (left) at the recent BIO 2008 conference.

positive news flow has resulted in our share price appreciating over the last 12 months. LCT has experienced a share price increase of 122% and is one of only five biotechnology companies (out of 152 monitored) to have achieved positive gains.

Dr Paul LJ Tan  
CEO

## Update on DiabeCell®: Clinical trial program

Five patients have now been successfully implanted with the lowest dose of DiabeCell® in our Phase I/IIa clinical trial.

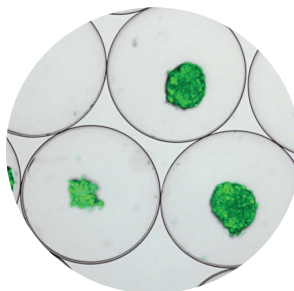
So far, results obtained from the Phase I/IIa clinical trial have indicated:

- No remarkable adverse events.
- A significant reduction of insulin requirement in the first two patients:
  - The first patient's insulin administration was reduced by 40 percent over six months.
  - The second patient's insulin administration was suspended for five months and then resumed at less than 20 per cent of levels before the implantation.
- Porcine insulin was found in blood samples from the first two patients, validating the ability of DiabeCell® to produce insulin and contribute to clinical benefit.
- No human insulin was present when insulin injections were completely suspended in one patient. Porcine insulin was present indicating that the implant was actively functioning.

Early-stage results have been well-received with the scientific community and by shareholders and the public. These preliminary data add further evidence that DiabeCell® could provide long term benefits in treating Type 1 diabetes. The recent findings confirm LCT's earlier research in March 2007, when the international scientific journal *Xenotransplantation* published results that porcine insulin was present in a patient 10 years after a DiabeCell® implant.



▲ Patient receiving DiabeCell® implants



▲ Example of viable DiabeCell®

## Upcoming Events

LCT will be present at the **Living with Diabetes Expo** in Brisbane on July 5th and 6th and also at the **Biotechnology Summit** in Sydney on July 30-31st.

**Professor Bob Elliott, LCT's Medical Director** is hosting a one day symposium on **Advances in Porcine Islet Implants**, on August 8th in Auckland. Numerous international experts in the area will be attending the day.

## Interview with Richard Justice, LCT's Chief Financial Officer

Richard joined LCT having worked in finance and general management associated with rapid growth, entrepreneurial companies in a variety of fields, including import and distribution businesses, the electronics industry, IT, professional services and the leisure sector. He moved from CFO, to Group CEO of a large Australasian based IT company, head quartered in New Zealand, which entered the public markets through foreign stock exchanges, with a similar strategy to that adopted by LCT.

Here, he talks about his role and LCT's decision to list on the International OTCQX and the near-term benefits of the listing. The International OTCQX is a reputable platform, well recognised amongst US institutional investors and offering greater visibility than an ADR listing. With an improved US presence, we look forward to increased trading volumes and steady share price movement.

### How would you define your role as CFO?

It falls into three core areas: guard the books, drive efficiency, and shape the financial and capital strategy of the company.

The key routine responsibilities include financial reporting and disclosures to the stock markets, as well as ensuring appropriate financial control and treasury management. However, with my background in rapid growth entrepreneurial companies and interest in IT, I also contribute to aspects of organizational design and development and the use of the technology as the company develops.

### What was your previous experience with overseas stock markets?

The New Zealand based IT company where I worked previously entered the public markets by listing on the Alberta Stock Exchange in Canada and later migrated to the much larger Toronto Stock Exchange, before securing a main board NASDAQ listing. It was one of very few New Zealand-based companies to achieve this. I was CFO throughout the listing process and was appointed CEO after the NASDAQ listing. This experience is particularly important as LCT maximises its primary board listing on the ASX in parallel with identifying opportunities to internationalise our share holder base in a cost effective way.

### LCT recently listed on the US international OTCQX exchange. What is this?

The International OTCQX is a new market tier facilitated by Pink Sheets that provides a premier trading, quotation and disclosure venue for international companies whose securities are listed on a qualifying non-US exchange and traded in the US over-the-counter (OTC) markets. It sets apart the securities of qualifying non-US issuers from the thousands of securities traded on OTC. There are currently 30 companies listed on the International OTCQX, including: adidas, Air France, BASF, Roche, and Wal-Mart De Mexico. LCT is the first company from New Zealand to be listed on the OTCQX and is one of the first few ASX listed companies to list. LCT joins Australian companies Starpharma, Linc Energy, and Intec.

## Bio 2008



▲ Ms Bronwyn Dilly, CEO of NZBIO drew the business card of the lucky winner'

LCT recently attended the International BIO conference in San Diego as part of the New Zealand delegation which was coordinated by NZTE and NZBIO.

The Company had a stand in the New Zealand Pavilion where a DVD of the DiabeCell® technology was continually shown and attracted a lot of publicity.

Our presence at the conference attracted a lot of media interest and interviews with Dr Paul Tan, CEO, were conducted by *National Public Radio*, *BioSynergy*, a biotechnology journal, as well as *Pharmawire*, the editor of *R&D focus* and *Genetic Engineering News*. A raffle for a case of New Zealand wine was conducted from our stand to encourage visitors to leave a business card. The winning card was drawn by Ms Bronwyn Dilly, CEO of NZBIO (see photo) and the winner was Dr Bradon Fabbri of Monsanto Company in St Louis, Missouri.

## News in Brief

## Living Cell Technologies' New Zealand Wine Tasting OTCQX Event: New York City

To mark the significant milestone of listing on the OTCQX, LCT held a New Zealand wine tasting cocktail event on June 12 at the Bank of New York premises on Wall Street in New York City. More than 100 attendees were drawn from New York's financial community and New Zealand residents in New York.

The Bank of New York Mellon Corporation and Pink OTC Markets Inc co-sponsored the event and the wine was sponsored by the New Zealand Consulate.



Phil Sussman (The Channel Group), Richard Justice (LCT's CFO), Paul Tan (LCT's CEO) and Robert Beckman (The Channel Group), all in attendance at the New York OTCQX Cocktail Party

## Living Cell Technologies showcases Proprietary Nanobiocapsules at NZBio 2008

As validation of the uniqueness and effectiveness of LCT's encapsulation technology, the company was invited to speak at two conferences this year. CEO, Dr Paul Tan and LCT Material Scientist, Dr Anil K Anal presented the technology during a session on nanotechnology at the NZBio 2008 Conference in Auckland, New Zealand and at the International Particles 2008 conference, held in Orlando, Florida, US on 10-12 May.

LCT's encapsulation technology has enabled the implantation of DiabeCell® without the use of toxic immunosuppressive drugs in patients with Type 1 diabetes. The technology uses alginate derived from seaweed to encapsulate and protect pig insulin-producing cells from rejection by the body's immune system. The alginate capsules have tiny pores that allow nutrients to pass inwards and insulin to diffuse outwards.

The positive preliminary results from LCT's Phase I/IIa clinical trial with DiabeCell® validated that the technology was successful in placing cells into gel capsules. This was achieved by layering highly selective materials to form the capsule wall with pores of the appropriate size. LCT has filed a patent on the selection of materials and the method for placing cells in biocapsules.

Dr Anal, whose background is in the field of biocapsules and nanoparticles, was also invited to chair a session on Encapsulation at the International Particles 2008 conference in Orlando, Florida, on 11 May.

LCT's encapsulation technology was also featured in *BioSpectrum Asia* – a life science business journal that focussed on nanotechnology in their May 2008 issue. They noted that LCT had intellectual property and in-house know how to make nanoporous capsules for insulin-producing cells allowing implants without using immunosuppressive cells.

## Living Cell Technologies Diabetes Treatment Featured on Channel Ten News

Australia's Channel Ten News featured LCT's world first islet cell treatment for Type 1 diabetes on 8 May, after the company's promising six month interim results with DiabeCell®. The program was aired nationally in Australia during the morning and evening segments.

The program included an interview with Professor Bob Elliott, LCT's Medical Director, who spoke about LCT's therapeutic approach to treating insulin diabetes with lead product, DiabeCell®. Professor Elliott also mentioned the company's recent milestones and positive clinical trial results. Michael Helyer, the world's first patient to be implanted with a prototype of DiabeCell®, was also interviewed in the program. Ten years after his treatment, porcine insulin was detected in Mr Helyer's blood after an oral glucose dose, indicating that the cells were still alive and functioning.

Video footage from this program can be accessed on our website at:

<http://www.lctglobal.com/news/204.php>

## LCT Expands Diabetes Clinical Trial

Following positive preliminary data from the first clinical trial with DiabeCell®, LCT has decided to expand the trial and proceed with testing higher doses to obtain greater clinical benefit.

So far, five patients have been implanted with the lowest dose of DiabeCell®. The trial results revealed no significant adverse effects with all patients showing a reduction in daily insulin requirement. Satisfactory control of blood glucose was also identified at a 6-month follow-up.

The first implant with the higher dose is scheduled for July 2008.



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## Interview with Richard Justice

continued from page 1....

## Why did LCT list on the International OTCQX?

LCT initially listed on the Newcastle Stock Exchange, which provided us with a natural pathway to the ASX and then to the International OTCQX. Each step was planned to increase LCT's access to investors and maximise opportunities for obtaining additional capital. Potential benefits of the listing are increased investment from the US, greater liquidity and higher valuations for all shareholders, as well as the larger pool of capital that we can tap into to.

## What is the role of the Bank of New York Mellon in the listing?

All companies on International OTCQX are required to appoint a Principal American Liaison (PAL) to help them with the listing process, post the disclosure in English, and be available as a trusted resource regarding all aspects of US market protocols and investor information needs. We appointed Bank of New York Mellon, a global leader in securities servicing with approval as an American depository receipt (ADR) PAL for the International OTCQX-listed companies.

The PAL ensures that the issuer satisfies the listing prerequisites of the tier for which it applies and post-listing will act as a liaison between LCT and the US market. It provides the resources and knowledge base to help LCT communicate effectively with the US investment community.

Other possible roles include helping LCT to obtain a market maker, steering the company toward appropriate third-party vendors for assistance with OTCQX program guidelines and facilitating communication with US investors.

## What benefits do you expect to see as a result of the OTCQX listing?

LCT expects this cost-effective listing process to deliver an increased profile for the company in the US and enable US investors to trade LCT shares more easily via the electronic trading mechanism that the OTCQX provides.

LCT's US investors, who hold approximately 1/3 of the company's shares, will now have a mechanism to provide increased liquidity, transparency and disclosure via a premier securities listing service. Already we've seen an increase in the number of Market Makers trading in our stock and the intent is for this to translate to higher liquidity and an increase in share price.

## In the News Continued...

Overall LCT has had a very eventful and news worthy quarter. A selection of some recent media articles are listed below:

**12 April 08** *NewScientist* – Pig cell transplants help people with diabetes; transplants of insulin-producing cells from new-born piglets have shown early promise in a trial of four people with Type 1 diabetes

**14 April 08** *Asian News International* – Pig Cell Transplant may reduce diabetics' insulin dependence

**20 April 08** *The Sun Herald* – Gladiator in his toughest test yet, by Thunder

**25 April 08** *The Australian* – Rethink on Transplants

**8 May 08** *Genetic Engineering & Biotechnology News* – Living Cell Technologies Prepares to List on the International OTCQX

**22 May 08** *Herald Sun* – Firm aiming for pig cell implant

**4 June 08** *NZ Herald* – Having PIE and saving too

**19 June 08** *The Independent New Zealand's Business Weekly* – To invercargill and Beyond!