



Newsletter



Roy Austin, Chairman

Message from the Chairman

Following the recent announcement of the joint venture with Otsuka, I am taking this opportunity to explain to you the reasons for our decision to partner with Otsuka and why we believe that this is very positive for LCT shareholders.

Bringing a new experimental treatment for diabetes to market has the potential to yield significant rewards but it is a complex, risky and expensive business. Our annual operating expenses have been around \$8 million and our cash reserves as at June 30, 2011 were \$4.5 million. Given that further development is required to fully commercialise DIABECCELL® there was a very real risk that LCT would not have sufficient cash to bring the product to market. It was therefore desirable to find a partner who shared our vision and one who was willing to commit significant financing and resources to enable us to realise our ambitions of bringing DIABECCELL® to market.

Otsuka Pharmaceutical Factory (OPF) was already a substantial shareholder in LCT and who also had a good understanding of what we were seeking to achieve. OPF is part of the Otsuka Group, a substantial publicly listed company in Japan, with many years' experience in conducting clinical trials, successfully developing and marketing pharmaceutical products around the world. OPF operates in over 20 countries, and as such it is an ideal partner for LCT.

OPF has invested A\$25m in the creation of the new joint venture company, Diatranz Otsuka Ltd (DOL), which will be focussed on developing DIABECCELL® and is owned 50/50 by OPF and LCT. This significant investment by OPF should allow us to continue our important work on gaining product registration for DIABECCELL®, to enable making it available for diabetes sufferers within three years. It also demonstrates OPF's confidence in DIABECCELL's® prospects.

The DOL joint venture has been established without the need to issue new shares and entitles LCT to 50% of any future profits. DOL is registered in New Zealand.

LCT's interests will be represented on the board by Professor Elliott, who will chair the company, and by myself. OPF will be represented by Mr Yoshikawa, Senior Managing Director and Mr Tanei Operating Officer Research and Development Centre. The first formal board meeting will be held on 22 November.

Aside from a manager, the company will not employ any staff, but will instead look to LCT for all of its manufacturing and R&D needs. These will be provided at market rates by LCT.

The new company has sufficient funding to carry out, over the next 3 years, the planned dose finding clinical trials, further refinement of DIABECCELL®, conduct pivotal trials and obtain product registration. The funding for DIABECCELL is now assured.

LCT can now focus on its plans and funding options to further develop its other initiatives. In particular, we are most excited about our new product NTCELL, which is showing high pre-clinical promise for the treatment of Parkinson's disease. Animal studies have been promising and the next step will be for LCT to apply for a small clinical trial of NTCELL with Parkinson's patients.

In conclusion, the new joint venture will enable DIABECCELL® to be developed through to commercialisation while also allowing LCT to focus on developing its other products such as NTCELL and IMMUPEL™.

Annual Report

The Annual Report is available on the company's website at

<http://www.lctglobal.com/Investors/Annual-Reports/>

Annual General Meeting

The company's annual general meeting is being held in New Zealand this year at Waipuna Hotel & Conference Centre, 58 Waipuna Road, Mt Wellington on Monday 28 November 2011 at 1.30 pm. This will give our many New Zealand shareholders an opportunity to attend the meeting and meet the directors.

At the company:

Roy Austin
Chairman

Tel: +64 9 913 4605

Fax: +64 9 913 4622

raustin@lctglobal.com

Bob Elliott

Medical Director

Tel: +64 9 276 2690

Fax: +64 9 276 2691

belliott@lctglobal.com

Media and analyst enquiries:

Symbol Strategic Communications
Patrick Sinclair

Tel: +61 2 8079 2969

Mobile: +61 403 708 431

psinclair@symbolstrategic.com.au

Robert Luttrell

Mobile: +61 419 185 652

rluttrell@symbolstrategic.com.au

About Living Cell Technologies - www.lctglobal.com

Living Cell Technologies (LCT) is developing cell-based products to treat life threatening human diseases. The Company owns a biocertified pig herd that it uses as a source of cells for treating diabetes and neurological disorders. For patients with Type 1 diabetes, the Company transplants microencapsulated islet cells so that near-normal blood glucose levels may be achieved without the need for administration of insulin or at significantly reduced levels. The Company entered clinical trials for its diabetes product in 2007. For the treatment of Parkinson's disease and other neurological disorders, the company transplants microencapsulated choroid plexus cells that deliver beneficial proteins and neurotrophic factors to the brain. LCT's technology enables healthy living cells to be injected into patients to replace or repair damaged tissue without requiring the use of immunosuppressive drugs to prevent rejection. LCT also offers medical-grade porcine-derived products for the repair and replacement of damaged tissues, as well as for research and other purposes.

About Otsuka Pharmaceutical Factory - www.otsukakj.jp/en/

Otsuka Pharmaceutical Factory, Inc., the first company in the Otsuka Group (TYO: 4768), was established by Busaburo Otsuka in 1921. Originally, the company manufactured and distributed industrial and pharmaceutical chemicals. It began manufacturing intravenous solutions such as large volume parenterals in 1946. Since that time, Otsuka Pharmaceutical Factory has extended its operations into a wide variety of areas such as the development of new drugs, innovative packaging and intravenous delivery systems. It has over 2000 employees and is headquartered in Naruto City, Tokushima, Japan.

LCT Disclaimer

This document contains certain forward-looking statements, relating to LCT's business, which can

be identified by the use of forward-looking terminology such as "promising," "plans," "anticipated," "will," "project," "believe," "forecast," "expected," "estimated," "targeting," "aiming," "set to," "potential," "seeking to," "goal," "could provide," "intends," "is being developed," "could be," "on track," or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other health authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any health authorities for sale in any market or that they will reach any particular level of sales. In particular, management's expectations regarding the approval and commercialization of the product candidates could be affected by, among other things, unexpected clinical trial results, including additional analysis of existing clinical data, and new clinical data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. LCT is providing this information and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.