



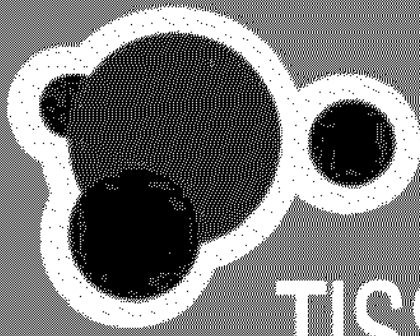
MARKET RELEASE

3 March 2004

Tissue Therapies Limited

Tissue Therapies Limited has applied for admission to the official list of Australian Stock Exchange Limited and for quotation of its securities. It has been given a provisional ASX code. Provision of an ASX code and publication of the following information does not mean that the entity will be admitted or that its securities will be quoted.

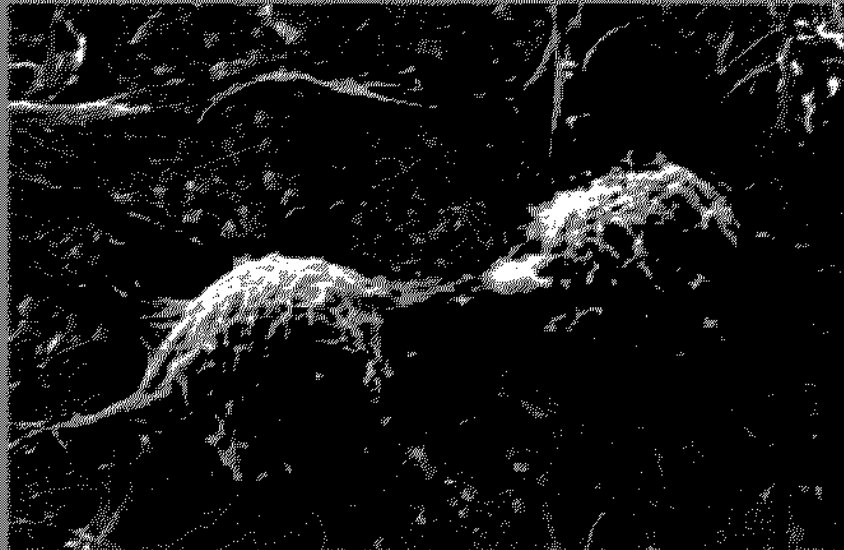
Pam Ross
Manager Company Announcements Office



TISSUE THERAPIES LIMITED

ABN 45 101 088 088

Prospectus



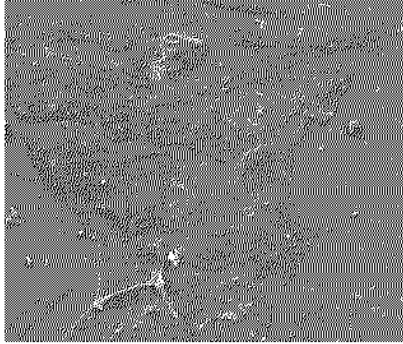
Developing biomedical technologies for
• wound healing • tissue and cell culture • cosmeceuticals

UNDERWRITER: ABN AMRO MORGANS CORPORATE LIMITED ABN 32 010 539 607
BROKER TO THE OFFER: ABN AMRO MORGANS LIMITED ABN 32 010 669 726
CORPORATE ADVISOR: CREDIT CAPITAL PTY LIMITED ABN 84 092 586 831

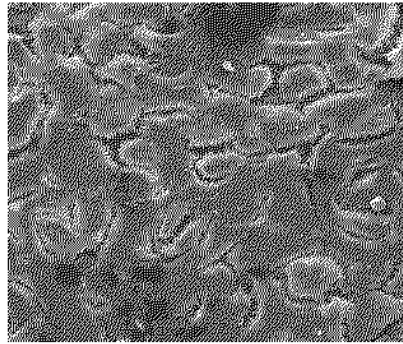
An investment in Tissue Therapies Limited should be regarded as speculative.

Human Skin Cells With and Without VitroGro® Comparison of VitroGro® with commercially available cell culture media

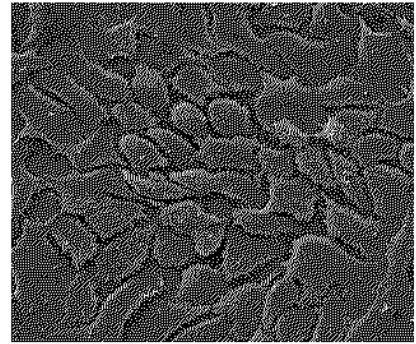
Skin cells in media alone



Skin cells in media containing serum



Skin cells in media containing VitroGro®



Source: QUT, Faculty of Science

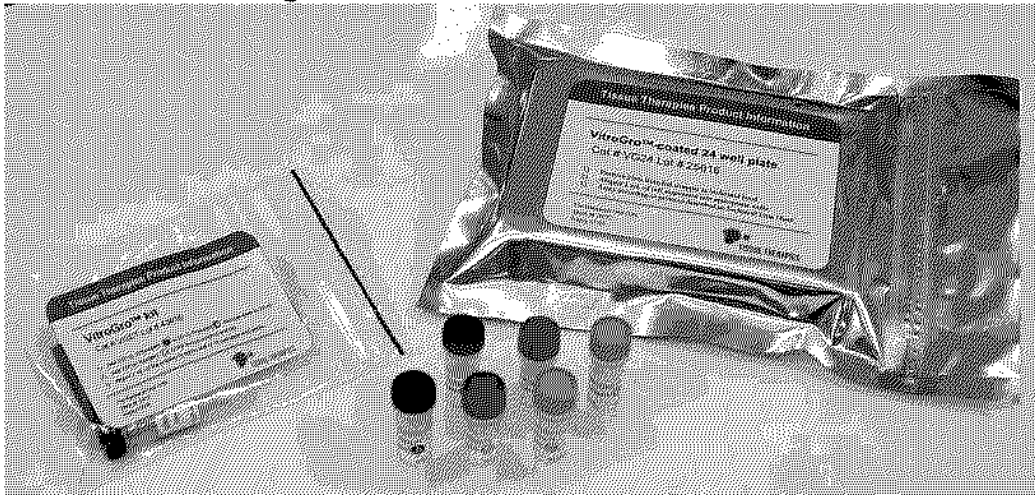
Skin cells grown in media containing VitroGro® demonstrate healthy, prolific and superior growth over cells grown in media with routinely used serum, or media alone. The photographs above illustrate the superior performance of VitroGro® (far right) as a culture medium for skin cells compared with skin cells cultured with a routinely used serum-based cell culture media (centre) and skin cells cultured in a standard cell culture media without serum (left).

The QUT Research Team



The QUT Research Team comprising more than 20 researchers based at QUT involved in research and development in respect of VitroGro®

VitroGro® Kits and Plates for the Research Market



VitroGro® kits and plates for the research market are Tissue Therapies' first range of products

Cover Image: a scanning electron microscopy image of dividing human bone cells (osteoblasts)

KEY INVESTMENT HIGHLIGHTS

- Tissue Therapies has worldwide exclusive rights to commercialise VitroGro®, a **platform technology** for enhancing cell growth and migration.
- Laboratory trials at Queensland University of Technology (QUT) have demonstrated that VitroGro® stimulates **more rapid growth and migration of human skin and bone cells** when compared with standard cell culture conditions. This suggests strong potential for use in more effective wound healing and reconstructive treatments.
- Commercial applications for VitroGro® are being pursued in **wound healing, tissue regeneration and integration, cell culture and cell therapies**. These provide a broad base of markets in **medical, industrial (eg. pharmaceutical) and research areas** in Australia and overseas.
- The Directors expect that **initial revenues** will be derived from cell culture products and medium-term revenues are anticipated from wound care products and licensing arrangements with industry partners.
- QUT scientists working on VitroGro® projects consider that VitroGro® has the **potential to avoid cross-contamination risks** arising from animal-based serum products (eg. fetal calf) and cell culture products currently in use for human skin, bone, stem cells and other mammalian cell applications.
- QUT scientists working on VitroGro® applications in wound care also anticipate that the VitroGro® complexes will encourage the remaining **cells surrounding the wound to migrate and proliferate over the wound bed, without the need to add cells isolated from a biopsy** to 'seed' the wound site (a technique currently used in wound healing). This may have significant benefits in terms of **ease of use, reduced costs, rapid treatment of wounds**, and may have broad application in a diverse range of tissue repair and regeneration applications.
- **Australian Red Cross** is currently funding research between Australian Red Cross Blood Service and QUT using VitroGro®, which aims to develop a new **spray on skin formulation** and a dermal substitute to improve the speed of skin graft growth both in the laboratory and on a patient's body.
- A **strong Intellectual Property portfolio** licensed from QUT with patents pending in eight countries is held by Tissue Therapies. QUT and Tissue Therapies have agreed on the Intellectual Property Assignment to Tissue Therapies on the fulfilment of certain conditions by Tissue Therapies.
- R&D conducted by QUT under a formal R&D Agreement provides **cost-effective access to a team of tissue engineering and cell culture experts**, the majority of whom are shareholders in Tissue Therapies.
- Tissue Therapies has access to **R&D grant funding and QUT R&D programs** for ongoing VitroGro®-related R&D, with commercial rights to such **new intellectual property accruing to Tissue Therapies**. The Board anticipates total R&D and product development expenditure of between \$4 million and \$4.5 million (including Externally-Funded R&D) on VitroGro®-related projects between early 2004 and June 2006.
- All pre-Offer shareholders in Tissue Therapies have signed **escrow agreements** that restrict them from trading some or all of their Shares for up to 24 months from the Quotation Date.
- Following completion of the Offer, **a market capitalisation at the Offer Price of \$6.728 million** provides the potential for strong returns in the event of commercial success.

CONTENTS

Key Investment Highlights	1
Chairman's Letter	3
1. Key Questions and Answers	4
2. Definitions	6
3. Details Of The Offer	8
4. Company Overview	11
5. Tissue Therapies' Business	15
6. Directors and Key Personnel	19
7. Risk Factors	22
8. Financial Information	26
9. Investigating Accountant's Report	27
10. Corporate Governance	41
11. Significant Documents	45
12. Additional Information	58
13. Glossary	63

SUMMARY OF OFFER

Amount to be raised	\$3.500 million
Offer Price per Share	\$0.50
Number of Shares being offered	7.000 million
Number of existing Shares	6.455 million
Total number of Shares on issue following completion of the Offer	13.455 million
Market capitalisation at the Offer Price	\$6.728 million

Notes:

- Table excludes details of 1,075,000 Options to be granted. Refer Section 3.3
- Figures rounded

KEY DATES

Offer opens	2 March 2004
Offer closes	23 March 2004
Allotment of Shares	29 March 2004
Quotation of Shares on ASX	2 April 2004

These dates are indicative only. All times are in Australian Eastern Standard Time. The Directors, in consultation with the Underwriter, have the right to vary the dates and times of the Offer without notifying any recipient of this Prospectus or any Applicant for Shares.

IMPORTANT NOTICE

This Prospectus is dated 23 February 2004. A copy of this Prospectus was lodged with ASIC on 23 February 2004. ASIC and ASX and their respective officers take no responsibility for the contents of this Prospectus. The fact that ASX may admit the Company to the official list is not to be taken in any way as an indication of the merits of the Company or of the Shares offered under this Prospectus. No Shares will be allotted or issued on the basis of this Prospectus later than the expiry date, being the date that is 13 months after the date of this Prospectus.

This Prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside of the Commonwealth of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restriction. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This Prospectus provides information for investors to decide if they wish to invest in Tissue Therapies and should be read in its entirety. In particular, the assumptions underlying the financial statements and the risk factors that could affect the financial performance of Tissue Therapies should be examined. If, after reading this Prospectus, you have any questions about the desirability of, or procedure for, investing in Tissue Therapies, please contact your stockbroker, accountant or independent financial advisor. This Prospectus contains forward-looking statements that involve risks and uncertainties. Actual events and results, including the results of Tissue Therapies' operations, could differ materially from those anticipated.

Defined terms and abbreviations used in this Prospectus are explained in the Definitions Section 2 and Glossary Section 13. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

This Prospectus is available in electronic form via www.tissuetherapies.com, www.abnamromorgans.com.au and www.orbitcapital.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Persons having received a copy of this Prospectus in its electronic form may, during the Offer period, obtain a paper copy of this Prospectus by telephoning 07 3221 0140. Applications for Shares may only be made on the Application Form attached to this Prospectus or in its paper copy form as downloaded in its entirety from www.tissuetherapies.com, www.abnamromorgans.com.au, and www.orbitcapital.com.au. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Corporations Act prohibits Tissue Therapies from processing Application Forms in the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable this Prospectus to be examined by market participants prior to the raising of funds. Application Forms received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Application Forms received in the Exposure Period.

THIS IS AN IMPORTANT DOCUMENT AND SHOULD BE READ IN ITS ENTIRETY

CHAIRMAN'S LETTER

Dear Investor

On behalf of my fellow Directors, I am pleased to provide you with an opportunity to become a shareholder in Tissue Therapies Limited.

Tissue Therapies is an Australian biotechnology company with exclusive international technology commercialisation rights in wound healing and tissue regeneration. This platform technology, VitroGro®, is a novel biological formulation for enhancing cell growth and migration developed by a team of tissue engineering experts at Queensland University of Technology (QUT), and has patents pending.

Laboratory trials at QUT have demonstrated that VitroGro® stimulates more rapid growth and migration of human skin and bone cells when compared with standard cell culture conditions. This suggests strong potential for use in more effective wound healing and reconstructive treatments. QUT scientists working on VitroGro® projects consider that VitroGro® has the potential to avoid cross-contamination risks arising from animal-based serum products (eg. fetal calf) and cell culture products currently in use for human skin, bone, stem cells and other mammalian cell applications.

QUT scientists working on VitroGro® applications in wound care also believe that the VitroGro® complexes will encourage the cells surrounding a wound to migrate and proliferate over the wound bed, without the need to add cells isolated from a biopsy to "seed" the wound site (a technique currently used in wound healing). As a result, VitroGro® may deliver significant benefits in terms of ease of use, reduced costs, rapid treatment of wounds, and may have broad application in a diverse range of tissue repair and regeneration applications.

Australian Red Cross is currently funding research between Australian Red Cross Blood Service and QUT using VitroGro® to improve the speed of treatment and treatment outcome of patients with significant burns.

Tissue Therapies is commercially focused on developing more effective medical treatments for wounds and burns, integration of orthopaedic and medical implants, and other applications such as cosmeceuticals. In addition, the Company anticipates supplying reagents to enhance the growth of mammalian cells for research and industrial cell culture markets internationally.

The Directors expect that initial revenues will be derived from cell culture products, and medium-term revenues are anticipated from wound care products and licensing arrangements with industry partners.

The Board anticipates total R&D and product development expenditure of between \$4 million and \$4.5 million (including Externally-Funded R&D) will be spent on VitroGro®-related projects between early 2004 and June 2006.

This Prospectus seeks to raise \$3.5 million at \$0.50 per Share which, based on current budgets, will provide sufficient funds for operating expenses for the period to 30 June 2006 in the absence of any product or licensing revenues. The proceeds of the Offer will be used largely for annual R&D contract expenses, product development and marketing, administration of the Company and matching funding for government and non-government grant applications.

Following completion of the Offer, a market capitalisation at the Offer Price of \$6.728 million provides the potential for strong returns in the event of commercial success.

This Prospectus contains comprehensive information about Tissue Therapies, the Offer and key risks. I encourage you to read this document carefully before making an investment decision. Given the risky nature of biotechnology commercialisation and the stage of development of the Company, investment under this Prospectus must be considered speculative.

On behalf of the Directors, it is my pleasure to invite you to become a shareholder in Tissue Therapies and participate in its future growth.

Yours faithfully

Roger Clarke
Chairman

1. KEY QUESTIONS AND ANSWERS

What is Tissue Therapies?

Tissue Therapies is an Australian biomedical company with exclusive international technology commercialisation rights in wound healing and tissue regeneration.

Using its technology commercialisation rights and the outcomes of ongoing R&D and product development, Tissue Therapies is committed to developing more effective medical treatments for wounds and burns, integration of orthopaedic and medical implants, and other applications such as cosmeceuticals. Tissue Therapies also anticipates supplying reagents to enhance the growth of mammalian cells for research and industrial cell culture markets internationally.

What is VitroGro®, and how does it benefit Tissue Therapies?

VitroGro® is a novel biological formulation for enhancing cell growth and migration.

VitroGro® formulations have the potential to be used to accelerate wound healing with or without harvesting cells from other parts of the patient's body to 'seed' the wound site with new cells.

VitroGro® also has the potential to accelerate cell growth and tissue regeneration alone or in combination with other wound care technologies, medical devices and implants. It therefore has the potential for use with existing and new medical products in those markets.

Tissue Therapies has the capacity to exploit both product and international licensing opportunities arising from its worldwide exclusive rights to commercialise VitroGro®.

What markets is Tissue Therapies focusing on?

Tissue Therapies is focused on developing medical and industrial applications for short-, medium- and long-term market opportunities covering wound care, cell culture and emerging opportunities such as cosmeceuticals and coated orthopaedic implants.

What are potential applications of and markets for VitroGro®?

VitroGro® has potential applications in medical, pharmaceutical and research markets in the areas of:

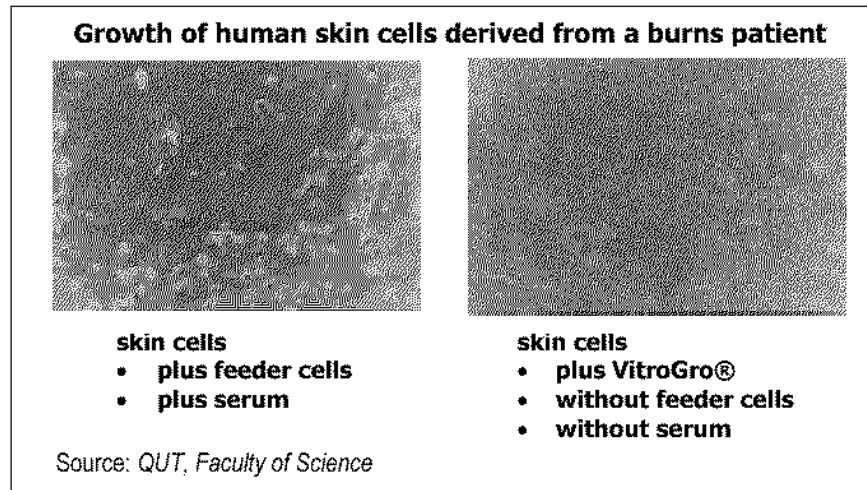
- wound healing (including burns, diabetic and venous ulcers and surgical procedures)
- tissue regeneration (including corneal and skin regeneration)
- cosmetic and reconstructive surgery
- research cell culture applications requiring growth reagents (including embryonic stem cells and progenitor cells)
- industrial cell culture applications for the pharmaceutical industry requiring growth reagents
- cell therapy for patients (autologous cell therapies).

What is Tissue Therapies' source of R&D expertise?

Along with its exclusive rights to commercialise VitroGro®, Tissue Therapies has access to a team of more than 20 tissue engineering and cell culture researchers using a low-cost contract R&D model, under its R&D Agreement with QUT. A photograph of the Research Team is on the inside front cover of this Prospectus.

How does VitroGro®'s performance compare with other skin cell culture products?

The photographs below show two cultures of skin cells (keratinocytes) derived from a biopsy from a burns patient. The cells cultured in the presence of VitroGro® on the right are healthy and are growing faster than those depicted on the left which have been cultured using the traditional technology. The traditional culture technology for growing skin cells requires the presence of animal feeder cells and animal or human serum. These photographs illustrate that the use of VitroGro® may remove the need to culture cells in the presence of such animal and/or non-defined products. In addition, VitroGro® may enable the more rapid production of cells for skin and wound repair applications.



What are some potential advantages of VitroGro® over other cell culture media?

VitroGro® has the potential to replace animal-based serum and other cell products currently in use, which have the risk of cross-contamination. In addition, it has the potential to promote better growth and migration of skin and other mammalian cells for accelerated wound healing, cell-based therapies and cell-based manufacture of pharmaceuticals.

What early trials are planned using VitroGro®?

Australian Red Cross is currently funding research between Australian Red Cross Blood Service and QUT using VitroGro® (involving human trials), which aims to develop a new spray on skin formulation and a dermal substitute to improve the speed of skin graft growth both in the laboratory and on a patient's body.

What is Tissue Therapies' first range of products?

Sales of VitroGro®-coated plates and VitroGro®-filled tubes for the global cell culture research market provides Tissue Therapies' first revenue opportunity and is intended to promote market interest in VitroGro® products.

What are potential future medical products for Tissue Therapies?

Future potential medical products based on the VitroGro® technology platform include a VitroGro® spray for the delivery of cells, a cell-free VitroGro® spray for treatment of wounds and burns, the use of VitroGro® in the coating of medical device surfaces and potential cosmeceutical applications.

What is the status of Tissue Therapies' Intellectual Property portfolio?

Under the QUT Licence Agreement, Tissue Therapies has worldwide exclusive rights to commercialise VitroGro®.

QUT has applied for a series of three patents in eight countries, encompassing composition of matter, uses and processes relating to VitroGro®. QUT's patent attorneys have indicated that there is no significant prior art cited in the published PCT patent applications.

QUT and Tissue Therapies have also agreed on the Intellectual Property Assignment to Tissue Therapies on the fulfilment of certain conditions by Tissue Therapies, described in Section 11.3.

2. DEFINITIONS

A\$, \$	Australian dollars, unless otherwise stated
Applicant(s)	individuals or entities who submit an Application Form together with Application Monies
Application	a valid application made to acquire a specified number of Shares pursuant to this Prospectus
Application Form	an application form in the form attached to this Prospectus. References to the Application Form being attached to this Prospectus include it being issued electronically together with this Prospectus
Application Monies	money received from Applicants in respect of their Applications
ASIC	Australian Securities and Investments Commission
Assistance Plan	the plan developed by Tissue Therapies and its business advisor for the purposes of the COMET grant to increase commercialisation of Tissue Therapies' products, processes and services
ASX	Australian Stock Exchange Limited ABN 98 008 624 691
ASX Listing Rules	listing rules of ASX
BIF	Biotechnology Innovation Fund
BIF Directions	Biotechnology Innovation Fund Directions No. 1 of 2002
BIF Grant Deed	a grant deed dated 23 February 2004 between the Company and DITR
Board	board of directors of Tissue Therapies
Broker Firm Applicant	an Applicant that has received a firm allocation of Shares from their broker
BSE	bovine spongiform encephalitis
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532
Closing Date	date the Offer closes, being 23 March 2004 or such other date as the Directors, in consultation with the Underwriter, may determine
COMET	Commercialising Emerging Technologies
Company or Tissue Therapies	Tissue Therapies Limited ABN 45 101 955 088
Constitution	constitution of Tissue Therapies
Continuing Shareholders	holders of Shares immediately prior to lodgement of this Prospectus
Corporations Act	Corporations Act 2001 (Cth)
Cosmeceutical	a drug that affects appearance or changes the structure or function of the body
DITR	Commonwealth Department of Industry, Tourism and Resources
Directors	directors of Tissue Therapies
Equity Option Plan	equity option plan adopted by the shareholders of Tissue Therapies on 29 January 2004
Existing Shares	6,455,000 Shares currently on issue at the date of this Prospectus held by the Continuing Shareholders
Exposure Period	period between the date of lodgement of this Prospectus with ASIC and ending seven days after lodgement, unless the period is extended by ASIC

Externally-Funded R&D	R&D funding for VitroGro® projects from sources external to Tissue Therapies (eg from government and non-government grants and research collaborators). Such Externally-Funded R&D may be paid directly to QUT or other research contractors or collaborators for VitroGro®-related research, rather than payment via Tissue Therapies.
Group	Tissue Therapies and any subsidiaries
HIV	human immunodeficiency virus
Intellectual Property	Licensed Patents and any know-how associated with, and improvements to, the Licensed Patents
Intellectual Property Assignment	the assignment by QUT to Tissue Therapies of the Intellectual Property pursuant to the Deed of Assignment of Intellectual Property Rights dated 16 February 2004 described in Section 11.3
IR&D Board	Industry Research and Development Board
Licence Agreement	Intellectual Property Licence Agreement between Tissue Therapies and QUT dated 5 August 2003
Licensed Patents	Australian and overseas patent applications licensed by Tissue Therapies from QUT, as described in Section 11.2
NHMRC	National Health and Medical Research Council
Offer	offer of 7,000,000 Shares pursuant to this Prospectus
Offer Price	\$0.50 per Share
Official List	official list of entities that ASX has admitted and not removed
Option	option over Shares
Orbit Capital	Orbit Capital Pty Ltd ACN 092 586 831
Prospectus	this Prospectus dated 23 February 2004
Quotation Date	2 April 2004, being the day that trading of Shares is expected to commence on ASX
QUT	Queensland University of Technology
R&D	research and development
R&D Agreement	agreement dated 5 August 2003 between Tissue Therapies and QUT
R&D Project	research and development project commissioned by Tissue Therapies using the Licensed Patents
Research Team	the team of more than 20 researchers based at QUT involved in R&D in respect of VitroGro®
SCH	Securities Clearing House
Share	fully paid ordinary share in Tissue Therapies
Share Registry	Pitcher Partners Registries
SRN	shareholder reference number
TGA	Australian Therapeutic Goods Administration
TFN	tax file number
Underwriter	ABN AMRO Morgans Corporate Limited ABN 32 010 539 607
Underwriting Agreement	underwriting agreement between the Underwriter and the Company dated 23 February 2004 described in Section 11.14

3. DETAILS OF THE OFFER

3.1 KEY OFFER STATISTICS

Offer Price per Share	\$0.50
Shares offered under this Prospectus	7,000,000
Amount to be raised under the Offer	\$3,500,000
Total number of Shares on issue following the Offer	13,455,000
Market capitalisation at the Offer Price	\$6,727,500
Cash on hand after completion of the Offer and payment of Offer expenses	\$3,175,000

Applications must be for a minimum of 4,000 Shares and thereafter in multiples of 500 Shares.

3.2 SOURCES AND USES OF FUNDS

The sources of funds available to the Company and the estimated use of those funds to 30 June 2006 are summarised in the tables below:

Source of funds*	\$ million
Proceeds of Offer	3.500
Cash on hand prior to Offer	0.051
Total	3.551

* Not including government and non-government grant funding during the period to 30 June 2006.

The Company has been awarded a \$242,500 BIF grant by the Commonwealth of Australia, and this is not included in the above table.

Estimated use of funds	\$ million
R&D and product development	1.618
Marketing, intellectual property protection and business development	0.583
Corporate and commercial administration	0.967
Offer costs**	0.383
Total	3.551

** In addition, the Company currently has a loan facility of up to \$100,000. Any drawn amounts under this facility at the completion of the Offer will be repaid from the proceeds of the Offer. Refer Section 12.11.

The source of funds does not include potential revenue from government and non-government grants, product sales, licensing fees, research collaborations, or other opportunities.

On completion of the Offer, the Directors consider that the Company will have sufficient working capital to enable it to carry out its objectives.

3.3 SHAREHOLDING STRUCTURE

Following the completion of the Offer, the shareholding structure in Tissue Therapies will be as follows:

Shareholders	Number of Shares	Percentage of Ownership
Continuing Shareholders	6,455,000	48.0
Public	7,000,000	52.0
	13,455,000	100.0

In addition 1,075,000 Options exercisable at \$0.50 each will be granted on the Quotation Date. Refer Section 12.6.

The Company has adopted an Equity Option Plan. No Options have been granted pursuant to the Equity Option Plan and, as the date of this Prospectus, the Directors have no current intention to grant any Options pursuant to the Equity Option Plan. Refer Section 11.12.

Following completion of the Offer, the anticipated substantial shareholders are:

Substantial Shareholders	% Ownership
QUT	16.8
Dr Zee Upton (and related interests)	11.7

3.4 RESTRICTED SHARES

Each of the Continuing Shareholders has entered into a restriction agreement with Tissue Therapies pursuant to which they are restricted from dealing in all of the Shares held by them (or such lesser number as required by ASX) for a period of 24 months from the Quotation Date (or such lesser period as ASX may specify). The total number of Existing Shares held by Continuing Shareholders is 6,455,000. The Company anticipates that all Continuing Shareholders will be required to enter into restriction agreements by ASX and that approximately 98% of Existing Shares will be subject to such agreements. The restriction agreements are in the form required by ASX Listing Rules and restrict the ability of the Continuing Shareholders to dispose of, create any security interest in, or transfer effective ownership or control of, the restricted Shares.

3.5 FINANCIAL PROSPECTS

Subsequent to the Offer, and in the absence of receiving any income from product sales or future commercial partnering of Tissue Therapies' current opportunities, the Directors believe that Tissue Therapies will have sufficient cash reserves to fund its currently planned activities until 30 June 2006.

3.6 DIVIDEND POLICY

The Directors of Tissue Therapies do not intend to declare or pay any dividends until such time as the Company is generating sufficient cash flow and earnings.

There can be no assurances that any dividends will be paid, nor as to the level to which any dividends would be franked.

3.7 RISK FACTORS

An investment in Tissue Therapies should be considered speculative and prospective investors should carefully consider the risks involved in the biotechnology sector generally, and in Tissue Therapies in particular. Risk factors are set out in detail in Section 7 of this Prospectus. Investors should seek professional financial advice before investing.

3.8 RIGHTS ATTACHING TO SHARES

The Shares will rank equally in all respects with the Existing Shares held by the Continuing Shareholders. The rights attaching to all Shares are detailed in the Constitution. The Constitution is summarised in Section 11.1.

3.9 ALLOCATION AND ALLOTMENT OF SHARES

Allotment of Shares will be made as soon as possible after the Closing Date. Tissue Therapies reserves the right to allocate the Shares offered under this Prospectus in full on any Application, or to allocate any lesser number, or to decline any Application. Where no allotment is made, the amount tendered will be returned in full with the relevant Application Form.

Where the number of Shares allotted is less than the number of Shares applied for, the surplus Application Monies will be dispatched to the Applicant within 21 days of the Closing Date. Interest will not be paid on refunded Application Monies. Any interest earned on Application Monies prior to allotment or return will belong to Tissue Therapies.

3.10 UNDERWRITING

The Offer has been fully underwritten by ABN AMRO Morgans Corporate Limited.

The Underwriting Agreement entered into between Tissue Therapies and the Underwriter provides that the Underwriter may terminate the Underwriting Agreement in certain circumstances. The Underwriting Agreement is summarised in Section 11.14.

3.11 ASX LISTING

Not later than seven business days after the date of this Prospectus, application will be made to ASX for Tissue Therapies to be admitted to the official list of ASX and for the quotation of certain of its Shares.

The fact that ASX may admit Tissue Therapies to its official list is not to be taken in any way as an indication of Tissue Therapies' value or merits of the Shares offered for subscription. Quotation, if granted, will commence as soon as practicable after the issue of holding statements to successful Applicants. If permission for quotation is not granted within three months after the date of this Prospectus, all Application Monies will be returned without interest as soon as practicable.

3.12 CHESS

Tissue Therapies will apply to ASX to participate in the security transfer system known as CHESS. Under CHESS, the Company will not be issuing certificates to shareholders. Tissue Therapies will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. Shareholders will receive a notice advising them of their holder identification number and sponsoring issuer number, participant identifier in the case of a holding on the CHESS sub-register, or security holder reference number in the case of a holding on the issuer sponsored sub-register, allowing the Shares to be traded electronically.

Following distribution of the initial holding statements and CHESS notifications to all shareholders, a holding statement will be provided to a shareholder at the end of any subsequent month during which there has been a movement in their shareholding. Shareholders may also request Tissue Therapies to provide a statement at other times, although Tissue Therapies may charge an administration fee in these circumstances.

3.13 FOREIGN INVESTORS

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

This Prospectus does not constitute an Offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an Offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

3.14 WITHDRAWAL

Tissue Therapies may, at any time, decide to withdraw this Prospectus and the Offer, in which case the Company will return all Application Monies within 21 days of giving notice of its withdrawal. Any interest earned on Application Monies prior to withdrawal will belong to the Company.

3.15 HOW TO APPLY FOR SHARES IN THE OFFER

Applications for Shares can only be made by completing and lodging a paper copy of an Application Form.

Application Forms are attached to this Prospectus and the Prospectus in the electronic form at:

- www.tissuetherapies.com
- www.orbitcapital.com.au
- www.abnamromorgans.com.au

Application Forms should be completed in accordance with the instructions on the guide to the Application Form.

Broker Firm Applicants should complete their Application Forms in accordance with instructions from their broker. Broker will act as agents for Broker Firm Applicants in submitting Application Forms and Application Monies to the Registrar. Application Forms (other than in the case of Broker Firm Applicants) must be accompanied by a cheque in Australian dollars for the value of Shares applied for and made payable to 'Tissue Therapies Share Offer' and crossed 'Not Negotiable'.

An Application Form may only be distributed attached to a complete and unaltered copy of this Prospectus. Application Forms included with this Prospectus contain a declaration that the investor has personally

received the complete and unaltered Prospectus prior to completing the Application Form.

Tissue Therapies will not accept a completed Application Form if the Company has reason to believe that the Applicant has not received a complete paper or electronic copy of this Prospectus or if the Company has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While Tissue Therapies believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be tampered with or altered in any way, it cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from the Company, ABN AMRO Morgans or Orbit Capital.

Applications may be delivered either to the Company's Share Registry, ABN AMRO Morgans, or Orbit Capital.

Applications (other than Broker Firm Applications) should be:

Posted to Tissue Therapies Share Offer	OR Delivered to Tissue Therapies Share Offer
Pitcher Partners Registries GPO Box 35 Brisbane 4001 Queensland	Pitcher Partners Registries Level 21 300 Queen St Brisbane 4000 Queensland

Additional copies of this Prospectus are available from:

- www.tissuetherapies.com
- www.orbitcapital.com.au
- www.abnamromorgans.com.au

Enquiries about the Offer may be directed to ABN AMRO Morgans on 07 3334 4888, Tissue Therapies on 07 3221 0140, Orbit Capital on 07 3220 0648, or to Tissue Therapies' investor relations advisor on 07 3003 1159, during business hours.

4. COMPANY OVERVIEW

4.1 TISSUE THERAPIES

Tissue Therapies is an Australian biomedical company with exclusive worldwide rights to commercialise a wound healing and tissue regeneration platform technology. This platform technology, VitroGro®, is a novel biological formulation for enhancing cell growth, developed by a team of tissue engineering experts at QUT and is protected by patents pending.

Using VitroGro®, and the outcomes of its ongoing R&D efforts, Tissue Therapies is committed to developing more effective treatments for wounds and burns, as well as improved implants for orthopaedic and other applications. Tissue Therapies intends to supply biological formulations to enhance the growth of mammalian cells used in both research markets and in the large-scale production of certain pharmaceuticals using industrial cell culture facilities (industrial markets).

Cell Culture

Cell culture underpins a large sector of the pharmaceutical industry and will also be an integral process in realising any cell-based therapies.

VitroGro® has the potential to replace animal-based serum products and promote better growth of mammalian cells for accelerated wound healing, cell-based therapies and cells used in the manufacture of pharmaceuticals.

Since the commencement of the development of VitroGro® by principal inventor Dr Zee Upton in 2000, increasingly encouraging research results have led to the application for patents protecting the discovery in Australia, USA, Canada, China, South Korea, Europe, Japan and New Zealand.

As a response to the commercial opportunity in wound healing and serum-free cell culture reagents, Tissue Therapies was established by Orbit Capital in 2002 to assemble a group of tissue engineering and commercialisation experts as key shareholders in a dedicated tissue engineering commercialisation venture.

The Company now boasts a share register of 21 active researchers in the areas of tissue engineering and bioregeneration, polymer sciences, cell culture and growth factors, along with a small group of experienced technology commercialisation executives. QUT is a substantial shareholder in the Company, receiving its shareholding in return for granting to the Company a worldwide exclusive licence to commercialise the VitroGro® intellectual property portfolio.

In addition to **wound healing**, under an R&D Agreement with QUT, Tissue Therapies is pursuing the development of new applications for **VitroGro®**, including **cosmetic applications, coated implants, coated scaffolds, stem cell culture growth factors, anti-cancer therapeutics** and recombinant production of a **synthetic VitroGro®** product.

Through a low-cost R&D Agreement with QUT, Tissue Therapies' ongoing R&D will be outsourced to a group of more than 20 tissue engineering and cell culture researchers at QUT's Tissue BioRegeneration and Integration Domain. This R&D Agreement provides Tissue Therapies with access to significant scientific expertise, resources and facilities in cell culture and tissue engineering at QUT. The Board believes that the costs involved in replicating these infrastructure and personnel resources would be prohibitive for the Company or many of its potential competitors.

During November 2003, Tissue Therapies was successful in obtaining a BIF grant of up to \$242,500 from the Commonwealth Government. This grant will be specifically applied by the Company to develop a system for producing synthetic vitronectin and analogues for use in VitroGro®-related products. The Company was also awarded a \$52,000 COMET grant in 2003 to assist initial product prototyping efforts.

QUT has also been successful in securing a number of government and non-government sourced grants for VitroGro®-related research. Tissue Therapies will benefit from these research outcomes under the Licence Agreement. The Board intends to actively pursue further grant opportunities directly or in collaboration with QUT.

Accordingly, the Board anticipates that the total R&D and product development funding for VitroGro®-related projects will be in the order of \$4 million to \$4.5 million for the period from early 2004 to June 2006, including proceeds from the Offer and Externally-Funded R&D.

The Company's **key priorities** for the 12 months following listing include:

- pursuing early revenues from initial product sales and possible licensing opportunities
- research to develop VitroGro® as an application for paediatric burns
- further development of VitroGro® applications for research cell culture products

- ❑ development of VitroGro® products for the industrial cell culture market
- ❑ research to develop VitroGro® as a possible treatment for diabetic ulcers
- ❑ commencement of development of a bioactive wound dressing including VitroGro®
- ❑ monitoring the progress of QUT's research and human trials funded by Australian Red Cross
- ❑ research to produce a synthetic vitronectin product
- ❑ pursuing completion of milestones required for the Intellectual Property Assignment.

4.2 VITROGRO®

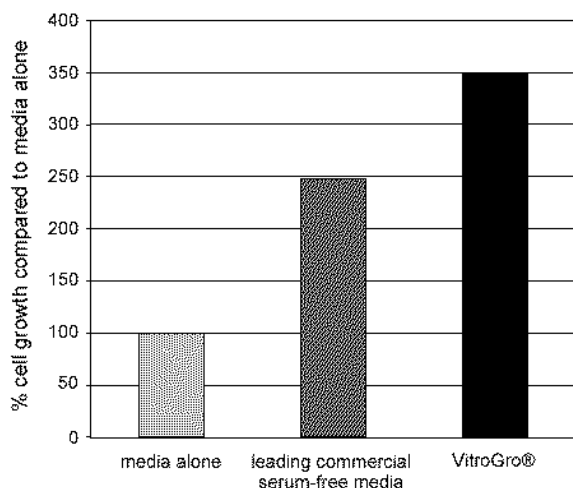
VitroGro® is the core technology platform of Tissue Therapies.

Animal or human serum is normally required for the successful growth of cells in culture. This is because serum contains a mixture of proteins that normally support the growth of these cells in the body.

Research at QUT has indicated that a range of different cell types can be cultivated using VitroGro® without the usual requirement for animal or human serum.

VitroGro® formulations tested have yielded significantly higher cell growth levels than the leading commercially-available serum-free culture media and cell culture media alone, as shown in the graph below.

Cell Growth Data With and Without VitroGro®



Source: QUT, Faculty of Science

The chart above provides a quantitative comparison of the growth of human skin cells in media containing VitroGro®, a leading commercially-available serum-free skin culture media, and media alone. The chart indicates that VitroGro® yielded significantly higher cell growth levels than the leading commercially-available serum-free culture media and cell culture media alone.

These findings are significant as the cells tested have potential as human therapeutics in a wide range of applications including wound healing, tissue repair, industrial cell culture and stem and progenitor cell culture.

The use of VitroGro® may therefore help to eliminate the risk of cross-infection from animal- and human-derived products used in these cell culture applications.

These findings also suggest that VitroGro® may be useful as an improved agent for stimulating wound repair and tissue regeneration in the body, or as coating on orthopaedic and other medical implants where integration with the body is required.

VitroGro® consists of a multi-layered coating of proteins on a surface that is designed to come into contact with cells in a laboratory (*in vitro*) or in the body (*in vivo*). The layers form a 'sandwich' that is designed to adhere to surfaces to provide a platform for the delivery of growth and migratory signals. VitroGro® is therefore a cell-supporting and growth stimulating surface treatment.

The complex consists of three types of proteins:

- ❑ a protein present in blood and tissues
- ❑ a protein that binds a growth factor
- ❑ proteins known as growth factors.

The bottom layer of the 'sandwich' is composed of a protein known as vitronectin, which is present in high quantities in blood, serum and the plasma of mammals, as well as in their tissues.

Vitronectin is a 'sticky' protein, which readily coats surfaces that come into contact with blood and plasma and is an important molecule responsible for many interactions seen at the surfaces of polymers, metals and ceramics. It is particularly relevant to wound healing, where bleeding occurs, resulting in the coating of both natural and synthetic surfaces, which then promotes binding of other proteins that aid the healing process.

Of these, the important proteins are the growth factor proteins that provide the growth and/or movement (migration) signals to the surrounding cells and tissues. The ultimate outcome is successful wound healing that sees the cut or tissue void filled with new cells and tissue.

Another key component of VitroGro® is the use of growth factor binding proteins, which bind the growth factor to the vitronectin in cases where the growth factor itself does not bind directly to the vitronectin.

Second-generation VitroGro® complexes have also been developed in which additional growth factors, such as insulin-like growth factors, epidermal growth factor and fibroblast growth factor, are also incorporated. With these additions, VitroGro® may be tailored to be a delivery mechanism for presenting several growth factors to cells of interest.

It is anticipated that VitroGro® will be used to coat cell culture plates and other polymeric surfaces that will be used as research reagents by scientists and clinicians to

study new applications of VitroGro® for cell and tissue culture uses. The 'stickiness' of VitroGro® provides a natural advantage in its use as a surface coating for plates or prosthetic/device implants.

It is anticipated that VitroGro® will also be useful for commercial grade tissue culture applications where pharmaceutical companies are producing large quantities of molecules for therapeutic applications.

A further potential application for VitroGro® is in the generation of adult and embryonic stem or progenitor cells that have not been exposed to animal or human serum. Exposure to the sera would usually prevent their use in humans. Tissue Therapies' objective is therefore to replace the routinely used animal or human serum, which has the complications of being expensive, unreliable and can become contaminated with infective agents such as BSE or HIV. A major advantage of the VitroGro® approach is its replacement of the requirement for semi-defined and animal-based products, with their inherent cross-contamination risk.

Burns Treatment Applications

Australian Red Cross is currently funding research between Australian Red Cross Blood Service and QUT using **VitroGro®**. The aims are to develop a new **spray on skin formulation** and a dermal substitute to improve the speed of skin graft growth both in the laboratory and on a patient's body.

Potential future medical products based on the VitroGro® platform include a VitroGro® spray for the delivery of skin cells, a cell-free spray, bioactive wound dressings and the use of VitroGro® in the coating of medical device surfaces.

4.3 INTELLECTUAL PROPERTY

Under the QUT Licence Agreement, Tissue Therapies has worldwide exclusive rights to commercialise VitroGro®.

QUT has applied for a series of three patents encompassing VitroGro® composition of matter, use and processes. QUT's patent attorneys have indicated that there is no significant prior art cited in the published PCT patent applications. Applications have been filed in the US, Canada, Europe, Australia, South Korea, China, Japan and New Zealand. It is anticipated that further patent applications will be lodged in relevant countries as improvements and new applications are confirmed for the background intellectual property portfolio.

Tissue Therapies and QUT maintain a strict intellectual property policy in relation to intellectual property created by employees, contractors and collaborators.

Tissue Therapies, and its consulting scientific and commercial advisors, regularly review all of its research activities and is pro-active in identifying new intellectual property. The Company and/or QUT (under the Licence Agreement) will continue to apply for appropriate patent protection as new and improved technologies are identified. This strategy is designed to provide the maximum protection with the longest possible commercialisation life. Where appropriate, the Company, and key research personnel engaged directly or under the R&D Agreement with QUT, also maintain selected intellectual property as trade secrets.

The Intellectual Property portfolio is maintained under arrangements in place with QUT by skilled executives employed by QUT who work closely with patent attorneys and lawyers in Australia and abroad. Refer Section 11.2.

QUT has agreed to assign the Intellectual Property to Tissue Therapies pursuant to a Deed of Assignment of Intellectual Property Rights for \$100,000 if Tissue Therapies can satisfy certain preconditions regarding, among other things, its levels of cash reserves, the Company's Share price and a minimum level of expenditure under the R&D Agreement. Refer Section 11.3.

4.4 BUSINESS MODEL

Tissue Therapies has secured a worldwide exclusive licence to commercialise VitroGro® and intends to commercially develop and exploit existing and new market opportunities for VitroGro®-related products.

The Company is focused on developing medical and industrial applications for VitroGro® for short-, medium- and long-term market opportunities covering:

- wound care
- cell culture
- emerging opportunities, such as cosmeceuticals and coated orthopaedic implants.

The Directors believe that there are a number of opportunities available to the Company for growth following listing on ASX.

Tissue Therapies is using a combination of licensing, strategic partnering, product sales and distribution to embed the VitroGro®-platform technology in diverse markets.

Tissue Therapies currently intends to develop and commercialise the following VitroGro® products:

- VitroGro®-coated plates and VitroGro®-filled tubes for the research market
- VitroGro®-coated beads for industrial cell culture
- VitroGro® spray for delivery of autologous cell therapy for patients

- VitroGro® cell-free spray for delivery of growth factors for wound and burns healing, and cosmetic applications
- VitroGro® implant coatings (eg. for bone implants)
- VitroGro®-coated bioactive wound dressings (eg. wound dressing pads, sheets and bandages).

In addition to direct product sales, the Company intends to pursue opportunities for licensing VitroGro® to major industry partners that can facilitate the commercial development and market penetration of its technology on a global scale.

Tissue Therapies has held early discussions with a number of national and international wound care and cell culture reagent companies and growth factor suppliers who have expressed preliminary interest in commercial collaborations.

Tissue Therapies is focusing on near-term revenues from sales of research reagents such as VitroGro®-coated plates and other cultureware. Consolidation of the core technology and the validation of its commercial potential through product sales will support further development of medical and industrial applications for new products and licensing opportunities.

4.5 GRANT FUNDING

In late 2003, Tissue Therapies had a BIF grant of up to \$242,500 approved by the Commonwealth Government which will be specifically applied by the Company to develop a system for producing synthetic vitronectin for use in VitroGro®-related products. The Company was also awarded a \$52,000 COMET grant in 2003 to assist initial product prototyping efforts.

The QUT Research Team has been successful in securing a NHMRC grant to fund a three-year research project investigating cell migration using VitroGro®.

The Directors anticipate that additional government and non-government grants will be available, directly or through QUT, to support ongoing R&D and product development budgets. Tissue Therapies therefore will seek to leverage its own finances and research budget to attract government and non-government grant funding to advance research projects using VitroGro® for commercial applications.

4.6 COMPETITIVE ADVANTAGE

Tissue Therapies is utilising its worldwide exclusive licence to commercialise VitroGro® as its primary source of competitive advantage in the wound healing therapies and cell culture reagent supplies sectors.

The Directors believe that the VitroGro® technology provides this competitive advantage through its ability to avoid the requirement of the addition of serum (usually

derived from calves) to grow cells in the laboratory to generate replacement tissue for use in the clinic. This has particular competitive advantages given that health regulators now have stringent requirements of manufacturers of health products in an attempt to prevent humans from being exposed to animal proteins that may contain viruses and other disease-carrying entities (eg. BSE).

The Directors believe that another advantage of the VitroGro® technology relates to the fact that serum used for tissue culture is variable between batches with respect to certain growth components and is known in the industry as an 'undefined' component. In contrast, VitroGro® can be used as a more defined component of tissue culture.

The Directors believe that a further advantage of VitroGro® over existing products is that it uses a naturally occurring protein that is normally present in the human body at injury sites, to deliver the required growth factors. In comparison, many other technologies aimed at delivering growth factors to sites of injury to encourage cell and tissue re-growth are either adding the growth factor alone, or in combination with collagen sourced from cattle or bone chips.

Tissue Therapies has more than 20 shareholders who boast considerable technical expertise in tissue engineering and cell culture. The majority of these shareholders are actively engaged in research at QUT under the R&D Agreement from which Tissue Therapies will benefit directly via its Licence Agreement with QUT.

Dr Zee Upton, the principal inventor of VitroGro®, has a world-class reputation in the interaction of proteins to form growth factor complexes and is supported by an experienced team. The Board views this technically-qualified shareholder base as an additional competitive advantage, along with its long-term access to scientific facilities and expertise at QUT under the R&D Agreement.

4.7 BOARD AND MANAGEMENT

Tissue Therapies has an experienced Board of Directors with considerable expertise in the governance and management of public companies. Included in the Board of Directors, key advisors and management team are persons who have significant experience in scientific and commercial development within the biotechnology sector. Tissue Therapies also has access to a highly skilled team of research scientists through its R&D Agreement with QUT.

The Research Team, headed by the principal inventor of VitroGro®, Dr Zee Upton, represents the leading laboratory in Australia working on vitronectin-growth factor interactions.

5. TISSUE THERAPIES' BUSINESS

5.1 GROWTH FACTOR APPLICATIONS

Growth factors are used as reagents for biomedical research and to support the growth of cells engineered by pharmaceutical companies for the large-scale manufacture of pharmaceuticals. Growth factors are also used as reagents for therapies to treat human diseases where tissue growth or repair is a problem.

Serum is one source of growth factors for research and industrial markets. Serum is therefore an essential component in the production of many biopharmaceutical products.

Industry participants supplying cell culture media have recently experienced favourable serum trading conditions, along with substantial increases in sales of cell culture media. Research and clinical markets have underpinned the growing demand for serum in recent years. In February 2003, the reduced availability of raw serum saw the demand for fetal bovine serum exceed supply. This demand-supply imbalance has led to strong increases in serum prices over recent years, along with a number of industry acquisitions to secure a steady supply of serum.

Tissue Therapies is developing VitroGro® as an alternative to serum to target this growing demand and to provide cell culture products that minimise human health risks arising from serum and compete against the rising costs of animal-based media. The Directors believe that effective replacement of animal-based serum by VitroGro® is likely to reduce these health risks.

Tissue Therapies is focused on developing medical and industrial applications for VitroGro® for short-, medium- and long-term market opportunities covering wound care, cell culture and emerging fields. The Company plans to develop future wound-care products under the trade mark VitroCare™.

As a platform technology, the following market opportunities for VitroGro®- and future VitroCare™-related products and services have been identified:

- **Development of wound-care clinical treatments** - including treatments for burns, post-surgical wounds, venous and diabetic ulcers
- **VitroGro®-coated bioactive bandages and wound dressings**
- **Supply of cell culture products for industrial cell culture markets** - large scale production of pharmaceuticals in cell culture
- **Supply of cell culture products for clinical cell culture markets** - stem cell culture laboratories, skin banks, bone banks, research cell culture markets
- **Cosmeceutical applications** for VitroCare™
- **Implants** – applications of VitroGro® as an agent for promoting the growth, adhesion and integration of corneal grafts, bone implants and medical devices with the patient's own cells, and
- **Autologous cell culture services for clinicians** – the commercial provision of cell culture services for the emerging cell-therapy market using VitroGro® and the Company's cell culture expertise.

5.2 MEDICAL MARKETS

Wound Care

Wound care covers a broad range of applications, including the treatment of burns victims, surgical wounds and chronic long-term wounds such as venous and diabetic ulcers.

In terms of lower extremity ulcers, over 90% of leg ulcers are caused by chronic venous insufficiency, diabetic complications and arterial insufficiency. Venous lower leg ulcers are a common medical problem affecting 1% to 2% of the population worldwide.

Preliminary studies are underway at QUT examining whether VitroGro® stimulates the growth of cells isolated from skin surrounding diabetic ulcers.

Tissue Therapies intends to develop a VitroGro® complex specifically tailored for application as a wound healing agent for diabetic ulcers.

Burns Treatments

Tissue Therapies will also pursue opportunities for the commercial use of VitroGro® as a more effective treatment for burns victims worldwide. In particular, Tissue Therapies intends to commercialise the potential applications for VitroGro® for burns patients domestically and in large markets outside of Australia.

A burn is an injury caused by, among other things, flame, liquid, hot surfaces and harmful sun rays. Burns may affect the epidermis or the dermis, and are categorized by degrees, defined according to the depth of the injury.

In the case of first degree burns, such as sunburn, only the epidermis is injured, resulting in skin redness. In the case of second degree burns, both

the epidermis and dermis are injured, resulting in the presence of blisters.

During the healing process for superficial burns, the dermis lifts and separates from the epidermal layer. This causes an influx of liquid into the epidermis, resulting in the formation of blisters. During the healing process, this liquid is reabsorbed into the cells, and dead skin cells are replaced by new cells.

The most serious type of burns are third degree burns, in which the deep dermis is injured, often resulting in the destruction of blood vessels and nerve endings.

Patients who are seriously burned usually cannot commence healing those burns without skin grafts to initiate the healing process.

Australian Red Cross is currently funding research between Australian Red Cross Blood Service and QUT using VitroGro® to improve speed of treatment and treatment outcome of patients with significant burns. This research aims to develop a new spray on skin formulation and a dermal substitute.

Paediatric Burns Treatment

Tissue Therapies is in advanced discussions regarding establishing a collaboration to develop **VitroGro® products for more effective treatment of paediatric burns** with Dr Roy Kimble, Clinical Director of the Stuart Pegg Paediatric Burns Centre and Head of the Royal Children's Hospital Burns Research Group (a co-operative research team comprising staff of the Department of Paediatrics and Child Health, University of Queensland and the Royal Children's Hospital, Queensland Health).

Treatments for burns and wounds often rely on the harvesting of cells from patients to seed the wound site with cells for the healing process. This results in the creation of a wound to help heal the original wound. In contrast, Tissue Therapies is seeking to commercialise VitroGro® as a cell-free wound healing treatment, based on the potential of VitroGro® to facilitate skin cell migration and proliferation, demonstrated in laboratory trials at QUT. If successful as a wound healing and burns treatment, VitroGro® would avoid the need to harvest cells from elsewhere on the patient, and instead, facilitate cell migration and proliferation locally from cells adjacent to the wound site.

Tissue Therapies intends to develop VitroGro® as a more effective general wound healing treatment, possibly in collaboration with suitable industry partners. Potential applications for VitroGro® in this

area include its delivery as a VitroGro® spray, a bottled solution or gel, and as a coating on biomedical scaffolds, bioactive bandages and other wound dressings.

Cosmeceutical Markets

Cosmeceuticals may be viewed as drugs that affect human appearance, or cosmetics that change the structure or function of human bodies.

Some pharmaceutical companies are actively researching new compounds for cosmetic purposes. Similarly, some cosmetics companies are actively researching and evaluating new treatments, for example, the treatment of ageing skin and baldness.

While reconstructed skin was initially developed for grafting major burns, it is also useful for evaluating tolerance to and the efficacy of new pharmaceutical and cosmetic products. Accordingly, reconstructed skin models provide a viable alternative method to animal experimentation for testing pharmaceutical and cosmetic products. Different types of skin models have been developed to reconstruct *in vitro* the cellular layers of the skin. These models are also used in scientific research to:

- ❑ predict toxic effects
- ❑ assess the safety of raw materials and finished products
- ❑ test the efficacy of active ingredients, care formulations, sun filters, depigmenting and pigmenting agents and anti-oxidants.

The results of these efficacy and tolerance tests of pharmaceutical and cosmetic products provide the *in vitro* information necessary before testing those products *in vivo* in human volunteers.

Reconstructed skin is also fundamental for research into the mechanisms of:

- ❑ skin cell communication
- ❑ development of skin cancer
- ❑ sun-induced skin damage
- ❑ skin ageing.

The skin cells in these models are usually grown in the presence of animal or human serum and other non-defined products, hence there is potential to replace these with VitroGro®. In addition, VitroGro® may have potential as a cosmeceutical itself, as an agent to prevent ageing or repair sunburn damage.

Tissue Therapies intends to seek early partnerships with cosmeceutical industry participants to fund research and clinical trials for the use of VitroGro® in cosmeceutical applications, with a view to licensing VitroGro® to a suitable industry partner, in return for milestone and long-term royalty payments.

5.3 CELL CULTURE MARKETS

Industrial Cell Culture

Growing cells in the laboratory is known as cell culture.

Cell culture products are key agents that support the growth of cell types engineered by pharmaceutical companies for the large-scale manufacture of new generation biopharmaceuticals. This sector of the pharmaceutical market accounted for approximately 10% of all pharmaceutical sales in 2002, and is the most rapidly expanding sector of pharmaceutical sales.

Importantly, growth factors play a critical role in the development and manufacture of human biopharmaceuticals.

Demand for growth factor products for these markets comes from biopharmaceutical or pharmaceutical companies that use large-scale cell culture to produce cell-derived protein products such as therapeutics, vaccines and antibodies. Growth factors are used commercially in the production of a number of biopharmaceutical drugs already on the market. New drug candidates under trial by pharmaceutical companies are also expected to include growth factors in these production processes.

Tissue Therapies is developing new products using VitroGro® for these industrial cell culture markets.

Stem Cell Culture and Research Markets

Research on stem cells is advancing knowledge about how an organism develops from a single cell and how healthy cells replace damaged cells in adult organisms. This promising area of science is also leading scientists to investigate the possibility of cell-based therapies to treat disease, which is often referred to as regenerative or reparative medicine.

Stem cells have two important characteristics that distinguish them from other types of cells. First, they are unspecialised cells that renew themselves for long periods through cell division. The second is that under certain physiologic or experimental conditions they can be induced to become cells with special functions such as the beating cells of the heart muscle or the insulin-producing cells of the pancreas.

Perhaps the most important potential application of human stem cells is the generation of cells and tissues that could be used for cell-based therapies. Currently, donated organs and tissues are often used to replace ailing or destroyed tissue, but the need for transplantable tissues and organs far outweighs the available supply. Stem cells, directed to differentiate into specific cell types, offer the possibility of a renewable source of replacement cells and tissues to treat diseases. These include Parkinson's and

Alzheimer's diseases, spinal cord injury, stroke, burns, heart disease, diabetes, osteoarthritis and rheumatoid arthritis.

Human embryonic stem cells are isolated from the inner cell mass (a specialised region in an eight-cell embryo) and transferred into a laboratory culture dish that contains a nutrient broth known as culture medium. The cells divide and spread over the surface of the dish which is typically coated with mouse embryonic skin cells that have been treated so they will not divide. This coating layer of cells is called a feeder layer. The reason for having the feeder cells in the bottom of the culture dish is to give the human embryonic stem cells a 'sticky' surface to which they can attach. Also, the feeder cells release nutrients into the culture medium. Scientists have commenced preliminary research to devise ways of growing embryonic stem cells without the feeder cells. This will be a significant scientific advancement because of the risk of cross-contamination from the feeder cells. There is also risk that pathogens may be transmitted to the human cells via the serum that is present in the culture medium.

Adult stem (or progenitor) cells are isolated from tissues such as bone marrow or skin biopsies using specialised procedures. These techniques have been used for many years to isolate cells for treatment of leukaemia and for the growth of cells for skin grafts for treatment of burns patients. Adult stem cells differ from embryonic stem cells in that they can be induced to become cells of some, but not all, tissues in the body.

Most adult and embryonic stem cells require serum, or other undefined reagents or support-feeder cells, for their successful growth and expansion in the laboratory. However, alternative defined and animal-product-free media and growth conditions are urgently required to enable these promising cell-based therapies to be approved for clinical use.

A significant number of research laboratories are currently conducting stem cell research throughout the world. As a result of the growth in research in this area, and the array of potential therapeutic applications of stem cells, stem cell culture methodology has become an important factor for these cell-based therapies.

Tissue Therapies intends to target these growing markets with VitroGro® by providing more suitable and effective media replacement for markets in stem cell culture and cell based therapies.

R&D is currently being undertaken at QUT to develop more effective stem cell culture media based on VitroGro®, and early positive research results have

received interest from a number of stem cell researchers and potential industry partners.

Cultureware for Research Markets

Tissue Therapies has developed its first range of VitroGro®-coated cell culture plates and VitroGro®-coated cultureware. This includes a VitroGro® kit and user-friendly protocols for coating cultureware surfaces for use in cell culture. Trials have been conducted to determine the appropriate storage conditions for VitroGro®-coated multi-well culture plates with a view to optimising transport and storage conditions to maintain biologically active surfaces. In late 2003, Tissue Therapies announced the availability of its first range of kits, plates and other cultureware for use by the research market for growing a variety of continuous cell lines and primary cells derived from clinical samples.

The early efforts to manufacture VitroGro® products are important not only for the potential revenues from these products, but also because of the benefits from establishing commercially controlled manufacturing processes for VitroGro® biological materials. The positive consequence of this is that all core materials for use by either customers or collaborators, whether it be for stem cell research or industrial fermentation, will use materials with defined specifications. These efforts therefore lay the foundation for significant future operational capabilities and help to minimise product variability that may sometimes be present in research grade materials.

5.4 SYNTHETIC VITROGRO®

In order to exploit the markets referred to above, Tissue Therapies is developing synthetic VitroGro®. This is being partially funded by the BIF grant. In addition, Tissue Therapies has entered into a research collaboration with Farmacule Bioindustries Pty Ltd regarding the production of recombinant human vitronectin in plants, with a view to entering into a joint venture for the manufacture and marketing of a recombinant human vitronectin product manufactured in plants. A synthetic vitronectin product will be a key ingredient in future VitroGro® products that provide alternatives to animal and human-based products.

5.5 EMERGING OPPORTUNITIES

Tissue Therapies intends to develop VitroGro® as an agent for promoting the growth, adhesion and integration of bone implants, corneal grafts and medical devices with the patient's own cells.

A major issue in orthopaedics is the availability of material for grafting bone defects in patients following trauma, excision of bone tumours and for

reconstructive procedures. The development of more effective bone substitute materials would significantly enhance the ability of orthopaedic surgeons to treat such patients.

Tissue Therapies is conducting research via QUT to develop VitroGro® as a biological agent to encourage cell proliferation and differentiation of cultured bone cells. In addition, VitroGro® has potential for use in the coating of scaffolds made from polymers, metals and ceramics to encourage bone cell proliferation and migration for bone ingrowth and integration around such scaffolds.

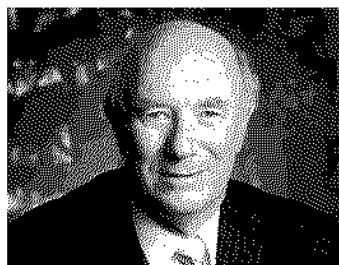
Recent advances have been made in the development of compounds that inhibit cancer cell migration. In this regard, Tissue Therapies is investigating the interactions between VitroGro® and certain cancer cell lines, to determine whether the VitroGro® complexes modify cellular processes including apoptosis and angiogenesis. In particular, Tissue Therapies' research at QUT is identifying target regions to develop antagonists that disrupt natural growth factor complex formation that may help in the development of therapeutics to inhibit the spread of cancer.

6. DIRECTORS AND KEY PERSONNEL

6.1 BOARD OF DIRECTORS

The Board is responsible for corporate governance, including strategic development. The Board reviews corporate strategy and financial targets in terms of shareholder expectations, Company performance and potential. It also establishes goals for management and monitors achievement of these goals. The Board has put in place the framework and operational policies ensuring the proper management of internal controls and of risk.

6.2 DIRECTORS' PROFILES



Roger Clarke
Chairman
Age - 55

Mr Clarke has over 30 years commercial experience, principally in the investment banking industry, with

responsibilities in fund management, banking and corporate finance, and involvement in a significant number of initial public offerings, capital raisings and corporate transactions.

Mr Clarke is chairman of ABN AMRO Morgans Limited and a director of MTQ Insurance Ltd and Northstate Capital Limited. Mr Clarke holds a Bachelor of Commerce degree and is a chartered accountant.



Professor David Gardiner
Director
Age - 55

Professor Gardiner brings extensive legal and corporate governance expertise to Tissue Therapies' Board. For the past 30

years, he has been a barrister-at-law of the Supreme Court of New South Wales and the High Court of Australia.

Professor Gardiner is currently a Professor of Law and Deputy-Vice Chancellor of QUT. He is a director of seven R&D and commercialisation companies, including biotechnology company, Farmacule Bioindustries Pty Ltd.



Gregory Baynton
Executive Director
Age - 35

Mr Baynton is primarily responsible for corporate and commercial management of the

Company. He is the founder and managing director of Orbit Capital, a boutique investment bank and holder of Financial Services Licence No. 230327. Orbit Capital focuses on structuring and funding companies from their early stages through to their preparation for ASX listing and ongoing corporate advisory services. Orbit Capital is the manager of City Investor Group Pty Limited, a private investment fund investing in ASX-listed companies.

Mr Baynton is a director of Lodestone Exploration Limited, a junior ASX-listed exploration company, and comes from a background in merchant banking and worked at Queensland Treasury.

Mr Baynton is a founding director of three Australian biotechnology companies, including Tissue Therapies. He is a Master of Business Administration, Master of Economic Studies, and holds a Post Graduate Diploma in Applied Finance and Investment and a Bachelor of Business degree. He is a Fellow of the Australian Institute of Company Directors and an Associate of the Securities Institute of Australia.



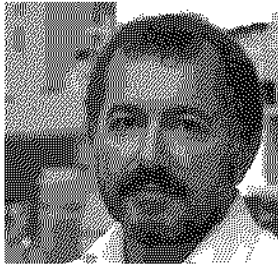
Neil Reinhardt
Director
Age - 68

Mr Reinhardt is a registered pharmacist and founder of Janda Furniture. He is an

active director of a number of private companies in the areas of manufacturing, health care, and investments. He has been instrumental in assisting companies in financial difficulties and directing companies in periods of major transition.

Mr Reinhardt is a founding director of City Investor Group Pty Limited, a private investment fund investing in ASX-listed companies.

6.3 SENIOR MANAGEMENT AND ADVISORY PERSONNEL



**Professor Robert Baxter
Scientific Advisor to the
Board**

Professor Baxter is a director of the Kolling Institute of Medical Research at the Royal North Shore Hospital in

Sydney. He is also Head of Molecular Medicine at the University of Sydney.

Professor Baxter is a leading expert in proteins that regulate cell growth and metabolism, the insulin-like growth factors (IGFs) and their binding proteins. These are essential for normal body growth but are also important in the abnormal growth of some cancers. He was the first to identify several of these proteins and to devise methods of measuring them.

Professor Baxter has authored more than twenty book chapters, and approximately 280 refereed papers. He is a Vice President of the International Society for IGF Research and was awarded the prestigious Ramaciotti Medal for Excellence in Biomedical Research in 2002.

**Drummond McKenzie
Company Secretary & Chief Financial Officer**

Mr McKenzie is a chartered accountant and chartered secretary, and is chief financial officer of an Australian financial services company. Mr McKenzie was formerly company secretary of an ASX-listed infrastructure investment company, and is a former national director of the Australian Kidney Foundation. He also has significant experience in financial management which was gained in previous senior appointments in a range of industries including the mining and minerals processing sectors. Mr McKenzie holds a Bachelor of Science (Economics) (Honours) from University of London.



**Zee Upton, PhD
Consulting Chief
Scientific Officer**

Dr Upton has a world-class reputation and history in research in the interaction of

proteins with growth factors. She is the principal inventor of the VitroGro® technology and is the leader of the R&D team at QUT and has primary responsibility for the VitroGro® R&D program. She brings significant expertise in growth factor protein, molecular and cellular technologies to Tissue Therapies, including the recombinant production of proteins. Her research has predominantly focused on research into IGF structure and cellular function, hence she is well placed to actively direct the Tissue Therapies R&D program.

Her previous positions include roles with the Co-operative Research Centre for Tissue Growth and Repair and GroPep Ltd. Several of the products she generated in her previous positions are commercially available through GroPep Ltd, and one of the recombinant growth factors she had a key role in developing is now widely used in media for industrial pharmaceutical cell culture.

She is co-domain leader of QUT's cross-faculty Tissue BioRegeneration and Integration Program within the Science Research Centre at QUT, a multi-disciplinary, cross-school research program. This is a key program within the newly established \$70 million Institute of Health and Biomedical Innovation at QUT.



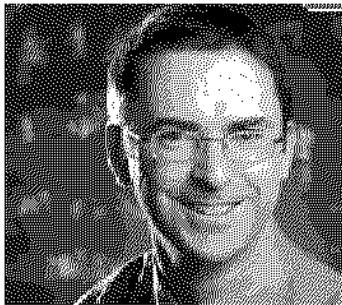
**David Leavesley, PhD
Consultant and
Scientific Advisor**

Dr Leavesley brings cellular and molecular research technology expertise to the Tissue Therapies, including

specialist experience in cell migration, cell-surface interactions, preparation and analysis of clinical tissue, establishment of primary and immortal cell lines from various tissues and practical skills in functional assays and biochemical analyses. He has particular expertise in cell and tissue material/interface interactions.

Dr Leavesley obtained his PhD from University College (London, UK), and undertook post-doctoral training at the Scripps Research Institute (La Jolla, USA), the Hanson Centre for Cancer Research (Adelaide) and the Royal Adelaide Hospital, prior to moving to Brisbane to join the Tissue BioRegeneration and Integration Research Team.

His research expertise has been directed at applied medical biotechnologies rather than basic research and includes research directed at dendritic cell vaccines for advanced disease, post surgical abdominal peritoneal adhesions and scarring, peritoneal membrane repair to maintain peritoneal dialysis, improved blood stem cell harvest and *ex vivo* expansion for hemopoietic rescue, reagents for blood stem cell applications, and dissemination and neovascularisation in metastatic disease.

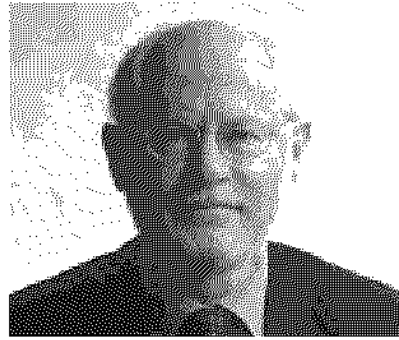


**Damien Harkin, PhD
Consultant and
Scientific Advisor**

Dr Harkin is an experienced cell biologist and one of Australia's leading authorities on the cultivation of

keratinocytes for corneal stem cell grafts. This expertise is demonstrated by 15 publications in the field of cell biology including 1 paper in the prestigious journal 'Cell Motility and the Cytoskeleton'. Dr Harkin has also published papers on the cultivation of corneal stem cells and has commenced a clinical trial of their application.

Prior to his employment with QUT, Dr Harkin was employed by Harvard Medical School as a Research Associate in Cell Biology, and at the University of Melbourne as a postdoctoral researcher.



**Russell
Richards
Consulting
Chief
Operating
Officer**

Mr Richards is the former general manager of

AGEN Biomedical Limited, an ASX-listed biotechnology company. He has a strong background in product development, operations, marketing and corporate management. He also has a practical knowledge of the important issues faced by laboratory users of biomedical products. Prior to joining AGEN Biomedical Limited, Mr Richards was a medical scientist at the Princess Alexandra Hospital. He holds a Bachelor of Science (Hons) degree in biochemistry and mathematics, and a Master of Science degree in biochemistry.

7. RISK FACTORS

7.1 FACTORS INFLUENCING SUCCESS AND RISK

Investors should be aware that an investment in Tissue Therapies is speculative and that its business operations are subject to risks which may impact on its future performance. Careful consideration should be given to the following risk factors, as well as the other information contained in this Prospectus, before an investment decision is made. Some of the risks may be mitigated by Tissue Therapies using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside Tissue Therapies' control and not capable of mitigation. There are also general risks associated with any investment in shares.

Specific Business Risks

An analysis of some of the specific business risks facing Tissue Therapies is shown below.

A Intellectual property rights

While Tissue Therapies has an exclusive licence to commercialise the Licensed Patents, it does not own the Licensed Patents until the preconditions for the Intellectual Property Assignment have been satisfied. Tissue Therapies' right to use the Licensed Patents to carry out its business activities may be terminated if Tissue Therapies breaches the terms of the Licence Agreement prior to the Intellectual Property Assignment.

Australian Red Cross Blood Service has an irrevocable, perpetual, worldwide, royalty-free, non-exclusive licence from QUT to use certain of the Licensed Patents to make, manufacture and develop products, devices and things developed during the course of its research collaboration with QUT to develop spray-on skin and a dermal substitute. However, Australian Red Cross Blood services may only use such products, devices or things for non-commercial and non-profit purposes to enable Australian Red Cross Blood Service to assist in the treatment of burns patients in Australia and New Zealand where a request for that assistance is made of it by a hospital. While this licence is for non-commercial, non-profit purposes, it may impinge on Tissue Therapies' opportunities to supply certain of its products on a commercial basis to hospitals in Australia and New Zealand.

Tissue Therapies' success will depend in part on its ability to obtain commercially valuable patent claims and to protect its Intellectual Property. While QUT's patent attorneys have indicated that there is no significant prior art published in the PCT application, the Licensed Patents are all still pending; that is, no letters patent have yet been issued in respect of any of the Licensed Patents. Accordingly, Tissue Therapies faces the following risks and uncertainties with respect to the Licensed Patents and any other patents subsequently licensed or issued to Tissue Therapies:

- ❑ the Licensed Patents may not result in issued patents or may take longer than expected for patents to issue
- ❑ the claims of any patents that are issued from the Licensed Patents may not provide meaningful protection
- ❑ Tissue Therapies may not be able to develop additional proprietary technologies that are patentable
- ❑ the Licensed Patents and any other patents subsequently licensed or issued to Tissue Therapies or its industry partners may not provide a competitive advantage
- ❑ other companies may challenge the Licensed Patents and any other patents subsequently licensed or issued to Tissue Therapies or its industry partners
- ❑ other companies may independently develop similar or alternative technologies, to those of Tissue Therapies or duplicate Tissue Therapies' technologies
- ❑ other companies may design around technologies Tissue Therapies has licensed or developed.

If letters patent do not issue in respect of a Licensed Patent, then the value of Tissue Therapies' intellectual property rights may be significantly diminished. Further, any information contained in the Licensed Patents will become part of the public domain, so that it will not be protected as confidential information or by a patent.

As legal regulations and standards relating to the validity and scope of patents continue to evolve, the degree of future protection for Tissue Therapies' proprietary rights is uncertain.

Tissue Therapies may incur substantial costs in asserting any patent or intellectual property rights and in defending legal action against it relating to intellectual property rights. Such disputes could substantially delay Tissue Therapies' product development or commercialisation activities.

QUT has agreed to assign the Intellectual Property to Tissue Therapies pursuant to a Deed of Assignment of Intellectual Property Rights for \$100,000 if Tissue Therapies can satisfy certain preconditions regarding, among other things, its levels of cash reserves, the Company's Share price and a minimum level of expenditure under the R&D Agreement. However, it is uncertain whether or not some or all of those preconditions will be satisfied, as they may be subject to circumstances beyond Tissue Therapies' control.

In addition to the Licensed Patents, Tissue Therapies depends upon trade secrets and proprietary know-how to protect its proprietary technology. Tissue Therapies requires all employees, consultants, and collaborators to enter into non-disclosure agreements that prohibit the disclosure of confidential information to any other parties. Tissue Therapies requires that its relevant employees and consultants disclose to Tissue Therapies their ideas, developments, discoveries and inventions in relation to VitroGro®. Any such ideas, developments, discoveries and inventions resulting from the Licensed Patents will be owned by QUT and licensed back to Tissue Therapies. The agreements between Tissue Therapies and its employees and consultants may not, however, provide adequate protection for Tissue Therapies' trade secrets, know-how, or other proprietary information in the event of any unauthorised use or disclosure.

Tissue Therapies has registered 'VitroGro' as a trade mark in Australia in respect of its products, and has also applied to register 'VitroCare' as a trade mark in Australia. Unless and until the 'VitroCare' trade mark is registered, Tissue Therapies will not have exclusive proprietary rights in that mark in Australia. As trade mark registration is on a national basis, registration of 'VitroGro' and 'VitroCare' as trade marks in Australia will not give Tissue Therapies exclusive rights in those marks outside of Australia.

The Company will consider seeking registration of the trade mark in other jurisdictions at the appropriate time.

B Commercialisation of products

Tissue Therapies has not yet commercialised its products and therefore has no material revenues. Tissue Therapies' ability to achieve profitability is dependent on a number of factors, including its ability to complete development efforts, obtain regulatory

approval for its product candidates, and commercialise successfully those product candidates or technologies.

There is no assurance that Tissue Therapies will generate significant revenues or that Tissue Therapies will ever achieve profitability.

There is no assurance that Tissue Therapies will attract appropriate strategic partners or that any such partners will perform and meet commercialisation goals or make licensing payments.

C Development of products

The development of Tissue Therapies' products is subject to risks of failure inherent in the development process. For example, Tissue Therapies' products may be shown to be unsafe, ineffective, difficult or impossible to manufacture on a large scale, uneconomical to commercialise, unable to compete with superior products marketed by third parties or not be as effective as alternative treatments.

D Regulatory approval

The research, development, manufacture, marketing and sale of products manufactured using Tissue Therapies' technologies are subject to varying degrees of regulation by a number of government authorities in Australia and overseas.

Therapeutic products manufactured using Tissue Therapies' technology must undergo an extensive regulatory approval process before commercialisation. New therapeutic products may take up to seven or more years to complete a process which includes the clinical evaluation of data relating to the quality, safety and efficacy of a product for its proposed use.

There is no assurance that Tissue Therapies' products will prove to be safe and effective in clinical trials or that the regulatory approval to manufacture and market its products will be received.

E Grant funding

Tissue Therapies is currently reliant on government grants to fund some of its research activities. These grant monies are payable on the achievement by Tissue Therapies of certain scientific and commercial milestones. If those milestones are not achieved, grant monies may be suspended.

Tissue Therapies may also be required to repay some or all of the grant monies if it breaches the terms of the grant, or if it obtains additional funding for the funded activities from other sources.

The BIF Grant Deed entered into between Tissue Therapies and the Commonwealth requires Tissue

Therapies to obtain the Commonwealth's prior written consent before dealing with its rights under the BIF Grant Deed or its interest in the intellectual property in respect of the research project funded by the BIF grant. This includes if Tissue Therapies undergoes a change in control for the purposes of section 50AA of the Corporations Act. While Tissue Therapies has obtained a waiver of this consent requirement in respect of the Offer and listing on ASX, this consent does not apply to any future action by Tissue Therapies that would lead to a change in control of the Company. A failure to secure such consent may lead to a demand by the Commonwealth for Tissue Therapies to repay the BIF grant. The IR&D Board applies its national benefits policy in consideration of any request for such consent. In the event that such consent is required, there is a risk that the IR&D Board may refuse to grant such consent.

The laws and policies that apply to grant funding are constantly under review. If these laws and policies change, then Tissue Therapies' grant funding may cease.

Payment of grant moneys to Tissue Therapies is also subject to sufficient government funding being available to make those payments.

F Relationship with QUT

Under its R&D Agreement with QUT, Tissue Therapies must not engage anyone other than QUT to conduct research projects using the Licensed Patents unless it cannot reach agreement with QUT within 30 days regarding the terms on which a particular R&D project will be conducted. If Tissue Therapies subsequently offers to engage a third party to conduct an R&D project using the Licensed Patents, that offer must not be on terms that are more favourable than those offered to QUT. This may affect the ability of Tissue Therapies to conduct R&D on a commercially competitive basis.

G Commercial manufacturing capability

Tissue Therapies' ultimate success will depend on the ability of its commercial partners to manufacture its products on a commercial scale and in accordance with current good manufacturing practices, prescribed by the TGA and other regulatory authorities.

If there are delays or difficulties in connection with manufacture of products or with packagers or distributors, market introduction and subsequent sales of Tissue Therapies' products could be delayed.

H Competition

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Tissue Therapies' products may compete with existing alternative treatments that are already available to customers. In addition, a number of companies, both in Australia and abroad, may be pursuing the development of products that target the same conditions that Tissue Therapies is targeting. Some of these companies may have, or develop, technologies superior to Tissue Therapies' own technology.

Some competitors of Tissue Therapies may have substantially greater financial, technical and human resources than Tissue Therapies does. In addition, academic institutions, government agencies, and other public and private organisations conducting research may seek intellectual property protection with respect to potentially competitive products or technologies. These organisations may also establish exclusive collaborative or licensing relationships with Tissue Therapies' competitors. Tissue Therapies is also dependent upon its ability, and the ability of third party collaborators or licensees, to sell and market its product and to develop and commercialise products based on Tissue Therapies' technology.

I Retention of key employees or recruit additional qualified personnel

Because of the specialised scientific nature of Tissue Therapies' business, Tissue Therapies is highly dependent upon qualified scientific, technical, and managerial personnel. There is significant competition for qualified personnel in Tissue Therapies' business. Many of the qualified personnel are already shareholders and Tissue Therapies has an Equity Option Plan which is aimed at providing incentives and promoting the recruitment and retention of key personnel.

Tissue Therapies may not be able to attract and retain the qualified personnel necessary for the development of its business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical and managerial personnel in a timely manner may harm Tissue Therapies' R&D programs and its business.

J Tissue Therapies may need to raise additional money

To fund operations, Tissue Therapies may need, in the future, to issue additional shares, borrow additional money, or enter into new collaborative agreements. The timing and amount of its future capital requirements will depend on many factors.

Tissue Therapies may not be able to raise money when it is needed. If Tissue Therapies fails to obtain adequate funds when needed it may:

- ❑ delay or eliminate its R&D activities, or other aspects of its business
- ❑ have to license or sell its technologies on unfavourable terms, or
- ❑ have to reduce or cease operations.

If Tissue Therapies raises money by issuing shares or borrowing money, the terms may not be favourable and may dilute the ownership of its shareholders. A debt financing may contain restrictive covenants, and, if Tissue Therapies defaults, may provide the lender with rights to some or all of Tissue Therapies' assets.

K Any future acquisitions will create risks and uncertainties

As part of Tissue Therapies' business strategy, it may acquire other assets, technologies and businesses. Tissue Therapies cannot be sure, however, that acquisition candidates will be available on terms acceptable to it. Future acquisitions that Tissue Therapies may complete, involve risks such as the following:

- ❑ Tissue Therapies may be exposed to unknown liabilities of acquired companies
- ❑ Tissue Therapies' acquisition and integration costs may be higher than anticipated
- ❑ integrating or completing the development and application of acquired technologies may disrupt Tissue Therapies' business and divert management's time and attention
- ❑ Tissue Therapies may be unable to retain key employees of the acquired businesses
- ❑ shareholders' ownership in Tissue Therapies would be diluted if Tissue Therapies pays for the acquisition with equity securities.

General Investment Risks

Investors should be aware that there are risks associated with any share investment. The prices at which the Shares trade once listed on ASX may be above or below the Offer Price.

Share values fluctuate according to overall market conditions and Tissue Therapies' Shares will be subject to the vagaries of the overall market and to the investment community's perspective of the biotechnology sector in particular. The share price of publicly listed biotechnology and pharmaceutical companies can be highly volatile. Factors that may impact on Tissue Therapies' share price, regardless of its operating performance, include:

- ❑ the balance between the demand and supply of Tissue Therapies' shares on the market, including times when restricted shares become available for sale
- ❑ changes to the regulatory environment for the biotechnology industry, and industry generally and/or any publicity
- ❑ the general state of the Australian and international economies as well as changes in taxation, monetary policy, interest rates, stock markets, statutory requirements and currency exchange rates
- ❑ changes in Australian or relevant foreign tax laws
- ❑ announcements of technological innovations by Tissue Therapies or its competitors
- ❑ developments in Tissue Therapies' relationships with collaborative industry partners
- ❑ published reports by securities analysts
- ❑ governmental regulation
- ❑ developments in patents or other intellectual property rights
- ❑ additions to or loss of key personnel
- ❑ broad market fluctuations
- ❑ the issue of additional shares or securities
- ❑ merger and acquisition activity
- ❑ litigation or disputes involving Tissue Therapies or its industry partners
- ❑ general market conditions.

8. FINANCIAL INFORMATION

8.1 PRO FORMA BALANCE SHEET

The pro forma balance sheet as at 31 October 2003, which includes the proceeds of the Offer of 7,000,000 Shares at \$0.50 per Share, is summarised below.

Current Assets	
Cash	\$3,175,462
Non Current Assets	
Intellectual Property	\$342,250
Total Assets	\$3,517,712
Current Liabilities	
Creditors	\$20,000
Shareholders' Funds	\$3,497,712

Since 31 October 2003, the Company has funded itself from its cash resources (including grant funds) and drawdowns from a \$100,000 loan facility. Any funds owing under this facility will be repaid from the proceeds of the Offer.

8.2 CAPITAL STRUCTURE

Following completion of the Offer, the Company will have 13,455,000 Shares on issue. A total of 1,075,000 Options exercisable at \$0.50 will be granted on the Quotation Date. Approximately 6,400,000 Existing Shares, or 47% of the total issued Shares, are expected to be escrowed for up to 24 months from the Quotation Date under ASX Listing Rules. Following completion of the Offer, it is expected the Company will have two substantial shareholders with QUT holding 16.7% and interests associated with Dr Zee Upton holding 11.7% of the total issued Shares.

8.3 USE OF FUNDS

Following completion of the Offer, the Company is expected to have \$3.175 million of funds available to it. The Directors believe, based on the current business plan, that the Company has sufficient resources to fund the Company until 30 June 2006. In the absence of additional grant funding or revenue generation during this period, the Board expects that the Company's cash resources will be expended as follows:

R&D and product development	\$1.618 million
Marketing, intellectual property protection and business development	\$0.583 million
Corporate and commercial administration	\$0.967 million

The Company expects to supplement the R&D and product development expenditure on VitroGro®-related projects by obtaining outside grant funding from government and non-government sources either through the Company or directly funding R&D conducted by the Research Team. The Directors currently expect that between \$4 million and \$4.5 million (including Externally-Funded R&D from various grant funding sources) will be expended on VitroGro®-related R&D and product development during the period to 30 June 2006. It is likely that further grants will be obtained during this period. While it is likely the Company will generate revenue from the sale of its products during this period, the projected expenditure assumes no revenue will be generated other than interest income.

The Directors will continue to monitor the requirements for R&D and product development activities, the potential revenue possibilities and the level of the Company's cash resources.

9. INVESTIGATING ACCOUNTANT'S REPORT



23 February, 2004

The Directors
Tissue Therapies Limited
GPO Box 1596
Brisbane QLD, 4001

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549 QUEEN STREET
BRISBANE QLD 4000

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WEBSITE ☎ www.hacketts.com.au

Dear Sirs,

Investigating Accountant's Report

Introduction

This report has been prepared at the request of the Directors of Tissue Therapies Limited ("the Company") for inclusion in a Prospectus to be lodged by the Company with the Australian Securities and Investments Commission on or about 23 February 2004 inviting participation in the offer to the public of 7,000,000 ordinary shares by the Company at an issue price of \$0.50 each to raise \$3,500,000.

All amounts are expressed in Australian Dollars unless otherwise stated and expressions defined in the Prospectus have the same meaning in this report.

Background

The Company was incorporated on 6 September 2002. It was formerly known as Tissue Therapies Pty Ltd and, following conversion to a public company on 6 February 2004, changed to Tissue Therapies Limited.

As detailed in Section 1 of the Prospectus, the Company is primarily involved in biotechnology with exclusive technology commercialisation rights in wound healing and tissue regeneration. The Company holds the worldwide exclusive rights to commercialise VitroGro®, a growth factor platform technology developed by a team of tissue engineering experts at QUT.

The current capital structure of the Company, together with details of Options to be granted are summarised in the Additional Information Section 12 of the Prospectus.

Significant transactions entered into by the Company during the last financial year and prior to the issue of the Prospectus are outlined in the Significant Documents Section 11 of the Prospectus.

Basis of Preparation of our report

This report has been included in the Prospectus to assist investors and their financial advisors to make an assessment of the financial position and performance of the Company. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. Investors and their professional advisors should make their own inquiries and assessment in respect of the future prospects of the Company. We therefore disclaim any assumption of responsibility for any reliance on this report or other information to which it relates for any purpose other than that for which it was prepared.

HACKETTS CORPORATE ADVISORY PTY LTD
ARN ☎ 32 093 676 058

Scope

You have requested Hacketts Corporate Advisory to prepare an Investigating Accountant's Report (the Report) covering the following information:

- (i) Historical financial information limited to the Company for the period from incorporation to 31 October 2003. Hacketts Chartered Accountants were appointed Auditors of the Company on 10 November 2003, and have audited the financial report of the Company from incorporation to 30 June 2003 and for the period ended 31 October 2003. Extracts from the financial report of the Company for the periods ended 30 June 2003 and 31 October 2003, comprising the statement of financial performance, statement of financial position, statement of cashflows and significant notes to the financial statements are detailed in Appendix A to C to this report;
- (ii) The pro forma statement of financial position of the Company as at 31 October 2003 adjusted to include funds to be raised by the Prospectus and the completion of other transactions referred to in Note 2 of Appendix C to this report are detailed in Appendix A to this report.

Scope of Review of Historical Financial Information

The Historical Financial Information set out in Appendix A to C to this report has been extracted from the audited financial statements of the Company for the periods ended 30 June 2003 and 31 October 2003, which were audited by Hacketts Chartered Accountants who issued an unmodified audit opinion on the financial statements. The Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports in accordance with the Corporations Act 2001. The Directors are responsible for the preparation of the Historical Financial Information, including determination of any adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company for the relevant historical period
- a review of work papers, accounting records and other documents
- a review of the assumptions used to compile the pro forma statement of financial position
- 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 disclosed in Appendix C of the Prospectus, 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. We have not performed an audit and, accordingly, we do not express an audit opinion.

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 has not been properly prepared on the basis of the pro forma transactions;
- the pro forma transactions do not form a reasonable basis for the pro forma statement of financial position;
- the Historical Financial Information, as set out in Appendix A of this Report does not present fairly:
 - the historical financial performance of the Company for the period from incorporation to 31 October 2003; and
 - the historical and the pro forma statements of financial position of the Company as at 31 October 2003.

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Company disclosed in Appendix C of this Report.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would 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 or Disclosure of Interest

Hacketts Chartered Accountants is the auditor of the Company.

Hacketts Corporate Advisory does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

Hacketts Corporate Advisory

Michael Hackett
Director

APPENDIX A

TISSUE THERAPIES LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

	Note	From incorporation to 31 October 2003 \$
Revenues from ordinary activities		-
Other expenses from ordinary activities		8,878
Loss from ordinary activities before income tax expense	3	(8,878)
Income tax expense relating to ordinary activities		-
Net loss from ordinary activities after income tax expense attributable to members of the Company	3	(8,878)
Total revenues, expenses and valuation adjustments attributable to members of the Company recognised directly in equity		-
Total changes in equity other than those resulting from transactions with owners as owners	9	(8,878)

The statement of financial performance should be read in conjunction with the notes set out in Appendix C of this Report.

APPENDIX A CONTINUED

TISSUE THERAPIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2003

	Note	31 October 2003 \$	Pro Forma \$
CURRENT ASSETS			
Cash assets	4	50,997	3,175,462
Other	5	11,553	0
TOTAL CURRENT ASSETS		62,550	3,175,462
NON-CURRENT ASSETS			
Licence and Trademarks	6	342,250	342,250
TOTAL NON-CURRENT ASSETS		342,250	342,250
TOTAL ASSETS		404,800	3,517,712
CURRENT LIABILITIES			
Payables	7	24,088	20,000
TOTAL LIABILITIES		24,088	20,000
NET ASSETS		380,712	3,497,712
EQUITY			
Contributed equity	8	389,590	3,506,590
Retained profits	9	(8,878)	(8,878)
TOTAL EQUITY		380,712	3,497,712

The statement of financial position should be read in conjunction with the notes set out in Appendix C of this Report.

APPENDIX A

TISSUE THERAPIES LIMITED
 STATEMENTS OF CASH FLOWS
 FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

	Note	From incorporation to 31 October 2003 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers		-
Payments to suppliers		(3,749)
Net cash provided by (used in) operating activities		<u>(3,749)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Deferred Offer Costs incurred		(11,554)
Net cash provided by (used in) investing activities		<u>(11,554)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issues		46,300
Grant Income Received		20,000
Net cash provided by (used in) financing activities		<u>66,300</u>
Net increase (decrease) in cash held		<u>50,997</u>
Cash at beginning of year		0
Cash at end of year	4	<u>50,997</u>

APPENDIX B

TISSUE THERAPIES LIMITED SIGNIFICANT TRANSACTIONS AND AGREEMENTS

The Company entered into the following significant transactions and agreements during the last financial year and prior to the issue of the Prospectus.

Details of all material agreements, deeds and other contracts are outlined in the Significant Documents Section 11 of the Prospectus.

Pre Offer Transactions:

- On 17 June 2003, the Company entered into a Business Assistance Agreement with the Commonwealth of Australia for a COMET Grant of \$52,000 payable in three stages between 31 October 2003 and 31 March 2004.
- On 5 August 2003 the Company entered into an Intellectual Property Licence Agreement with QUT whereby the Company acquired an exclusive right to commercialise and sub-license the right to commercialise specific patent applications.
- On 5 August 2003, the Company entered into a R&D Agreement with QUT to undertake R&D Projects and product development as requested by the Company during the term of the Licence Agreement.
- On 30 September 2003 the Company issued 2,455,000 Shares to new shareholders in accordance with a resolution of Directors to raise funds and acquire the licence and trademarks relating to VitroGro® and ongoing establishment costs. QUT received Shares in return for a worldwide exclusive licence.
- On 13 October 2003, the Company entered into a Consultancy Agreement with Dr Zee Upton to provide the Company with consulting services for a period of 12 months from August 2003. During February 2004, this Consultancy agreement was extended until 31 July 2006 by written agreement.
- The Company was successful in its application for a BIF grant, which was valued at \$242,500 over 18 months. Under the terms of the grant, the Company has an obligation to provide matching funding as required
- On 29 January 2004, the shareholders of the Company passed a special resolution to approve the grant of 1,075,000 Options on the Quotation Date to Directors, executives, employees and key individuals. It is intended that 950,000 of these Options will be granted to Directors and their Director-related entities on the same terms and conditions as those granted to other executives and employees. Refer to the Additional Information Section 12.6 for details on the number of Options to be granted and the names of the grantees.
- On 5 February 2004, the Directors resolved to establish a loan facility for \$100,000 with Roger Clarke. Any funds drawn down under this loan facility prior to completion of the Offer will be repaid from the proceeds of the Offer. The drawn amount of the loan facility will attract interest at 10% per annum. No other fees are payable for this facility.
- On 6 February 2004, the Company entered into a Consultancy Agreement with the University of Sydney and Professor Robert Baxter for 12 months, commencing on the date on which Tissue Therapies is listed on ASX.
- On 6 February 2004, the Company converted to a public company.
- On 13 February 2004 the Company entered into a Corporate and Commercial Services Advisory Agreement with Orbit Capital to run for a period of two years from the date of listing of the Company on ASX.
- On 16 February 2004, the Company entered into a Deed of Assignment of Intellectual Property Rights with QUT, under which QUT will assign the Intellectual Property to the Company on the payment of \$100,000 by the Company and the satisfaction of certain preconditions regarding, among other things, its levels of cash reserves, the Company's Share price and a minimum level of expenditure under the R&D Agreement. Refer Section 11.3 for further details.
- On 23 February 2004 the Company entered into a non-binding memorandum of understanding with Farmacule Bioindustries Pty Ltd with respect to a research collaboration regarding the production of recombinant human vitronectin in plants, with a view to entering into a joint venture for the manufacture and marketing of a recombinant human vitronectin product manufactured in plants.

Offer Transactions:

- On 5 February 2004, the Company approved the raising of up to \$3,500,000 from the issue of 7,000,000 ordinary shares to the public by way of a prospectus. The proceeds will be utilised for the payment of expenses associated with the Offer, estimated at \$383,000, the payment of payables and the remaining funds are anticipated to be used to fund the ongoing research, product development and marketing and administration.

APPENDIX C

TISSUE THERAPIES LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Company in the preparation of this financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial information in this report has been prepared in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia. Some disclosure requirements under these Accounting Standards have not been included where the information that would be disclosed is not considered material or relevant to potential investors. The financial report has been prepared on an accruals basis and is based on the historical cost convention.

a. **Income Tax**

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

b. **Research and Development Expenditure**

Research and Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

c. **Licences and Trademarks**

Licences and trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

d. **Cash**

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

APPENDIX C

TISSUE THERAPIES LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

e. **Revenue**

Revenues are recognised at fair value of the consideration received net of any applicable taxes.

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

Government research and development grant income is recognised as and when the relevant research expenditure is incurred. When the Company receives income in advance of incurring the relevant expenditure, it is treated as deferred income as the Company does not control the income until the relevant expenditure has been incurred.

f. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

g. **Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on from the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

NOTE 2: Pro Forma Statements

The pro forma statement of financial position and accompanying notes have been based on the audited statement of financial position of Tissue Therapies Limited as at 31 October 2003 adjusted as if the following transactions had occurred at that date:

(a) **Capital Raising**

The issue of 7,000,000 Shares at \$0.50 each to the public, raising \$3,500,000.

Proceeds from the capital raising will be utilised as follows:

- the payment of expenses associated with the Offer, estimated at \$383,000 as outlined in the Prospectus;
- Payment of payables;
- Available funds from the capital raising are anticipated to be used to fund the ongoing research, product development and marketing and administration. Until utilised the funds will remain in the cash account as reflected by the increase in cash assets.

APPENDIX C

TISSUE THERAPIES LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

	From incorporation to 31 October 2003 \$		Actual 31 October 2003 \$	Pro Forma 31 October 2003 \$
NOTE 3: LOSS FROM ORDINARY ACTIVITIES				
Loss from ordinary activities before income tax benefit has been determined after:				
a. Expenses				
— licence and fees	276			
— internet and web hosting	2,633			
— formation expenses	1,040			
— professional fees	880			
— other expenses	1,048			
Remuneration of auditor:				
— audit or review	3,000			
— other services	0			
NOTE 4: CASH ASSETS				
Cash at bank		50,997	3,175,462	
		<u>50,997</u>	<u>3,175,462</u>	
NOTE 5: OTHER ASSETS				
Deferred Costs – Offer Costs Recoverable		11,553	0	
		<u>11,553</u>	<u>0</u>	
NOTE 6: LICENCES AND TRADEMARKS				
Licence and Trademarks at cost		342,250	342,250	
		<u>342,250</u>	<u>342,250</u>	

APPENDIX C

TISSUE THERAPIES LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

	Actual 31 October 2003 \$	Pro Forma 31 October 2003 \$
NOTE 7: PAYABLES		
<i>CURRENT</i>		
Trade creditors	554	0
GST Payable	534	0
Deferred research grant	20,000	20,000
Other Creditors	3,000	0
Total Payables	<u>24,088</u>	<u>20,000</u>

NOTE 8: CONTRIBUTED EQUITY

	Note	Actual	Pro Forma
Fully paid ordinary shares	(a)	389,590	3,506,590
30/06/03 100,000 shares at \$0.01		1,000	1,000
26/03/03 400,000 shares at \$0.0001		40	40
26/03/03 3,300,000 shares at \$0.001		3,300	3,300
13/06/03 200,000 shares at \$0.015		3,000	3,000
30/09/03 2,175,000 shares at \$0.15		326,250	326,250
30/09/03 280,000 shares at \$0.20		56,000	56,000
6,455,000 shares issued to 31 October 2003		<u>389,590</u>	389,590
7,000,000 shares at \$0.50 each pursuant to the Prospectus			3,500,000
Less: Share Offer Costs			<u>383,000</u>
Pro Forma (13,455,000 shares)			<u>3,506,590</u>

(a) **Fully Paid Ordinary Shares**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held

At shareholders meetings each share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

NOTE 9: RETAINED PROFITS

Retained profits at the beginning of the financial period	0	0
Net loss attributable to members of the Company since incorporation	(8,878)	(8,878)
Retained losses at the end of the financial year	<u>(8,878)</u>	<u>(8,878)</u>

APPENDIX C

TISSUE THERAPIES LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

NOTE 10: COMMITMENTS AND CONTINGENT LIABILITIES

COMET Grant

Included in Payables is an amount of \$20,000 deferred research grant income received in relation to a \$52,000 COMET Grant Agreement. Under the terms of this agreement, the Commonwealth Government may require the Company to repay all or some of the amount received in either of the following circumstances:

- The Company fails to use its best endeavours to commercialise the relevant grant project within a reasonable time of completion of the project; or
- Upon termination of a grant due to breach of agreement.

There are no outstanding capital commitments or operating or finance lease commitments and the Directors are not aware of any other contingent liabilities that are likely to have a material effect on the results of the entity as disclosed in these financial statements.

NOTE 11: DIRECTORS' EMOLUMENTS

No emoluments were paid or payable or otherwise made available in respect of the financial period to any Directors of the Company.

NOTE 12: RELATED PARTY

Directors

The names of each person holding the position of Director of the Company during the period ended 31 October 2003 are:

Professor David Gardiner

Mr. Greg Baynton

Mr. Neil Reinhardt

Details of Directors' remuneration are set out in Note 12.

Directors' holdings of shares and share options

The interest of Directors of the Company and their Director-related entities in shares and share options of entities within the Company at 31 October 2003 are set out below.

Director	Holding of Shares	Holding of Options
Roger Clarke	NIL	NIL
Professor David Gardiner ¹	2,255,000	NIL
Greg Baynton	500,000	NIL
Neil Reinhardt	200,000	NIL

¹. A total of 2,255,000 shares are held by QUT, which is a related entity of Professor David Gardiner.

APPENDIX C

TISSUE THERAPIES LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

NOTE 12: RELATED PARTY - continued

Transactions of Directors and Director-related entities concerning shares and share options.

Aggregate number of shares of Tissue Therapies Pty Ltd acquired by Directors or their Director-related entities from the Company

	31 October 2003 Number
Ordinary Shares	2,955,000
On 6 September 2002, 100,000 shares at \$0.001 per share were acquired by Orbit Capital, a related entity of a Director, Mr. Greg Baynton	
On 26 March 2003, 400,000 shares at \$0.0001 per share were acquired by Orbit Capital, a related entity of a Director, Mr. Greg Baynton.	
On 13 June 2003, 200,000 shares at \$0.015 per share were acquired by Neil Joseph Reinhardt and Cheryl Reinhardt.	
On 30 September 2003, Queensland University of Technology (QUT) acquired 2,175,000 Shares at \$0.15 per Share and 80,000 Shares at \$0.20 per Share. QUT is a related entity of a Director, Professor David Gardiner.	

Other transactions with Directors and Director-related entities

Directors of the Company, or their Director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with Directors and their Director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non Director-related entities on an arm's length basis.

The transactions recognised during the year relating to Directors and their Director-related entities were as follows

- On 5 August 2003 the Company entered into an Intellectual Property Licence Agreement with QUT whereby the Company was granted an exclusive right to commercialise and sub-license the right to commercialise specific patent applications. QUT is a related entity of a Director, Professor David Gardiner. The licence and trademarks were acquired at a total cost of \$342,250.
- On 5 August 2003, the Company entered into a Research and Development Agreement with QUT to undertake R&D projects and product development as requested by the Company during the term of the above Intellectual Property Licence Agreement and on normal terms and conditions.
- On 13 February 2004 the Company entered into a Corporate and Commercial Services Advisory Agreement with Orbit Capital to run for a period of two years from the date of listing of the Company on ASX. Orbit Capital is a related entity of a Director, Mr Greg Baynton. The appointment is on normal terms and conditions.
- On 16 February 2004, the Company entered into a Deed of Assignment of Intellectual Property Rights with QUT, under which QUT will assign the Intellectual Property to the Company on the payment of \$100,000 by the Company and the satisfaction of certain preconditions regarding, among other things, its levels of cash reserves, the Company's share price and a minimum level of expenditure under the R&D Agreement.
- On 5 February 2004, the Directors resolved to establish a loan facility for \$100,000 with Roger Clarke. Any funds drawn down under this loan facility prior to completion of the Offer, will be repaid from the proceeds of the Offer. The drawn amount of the loan facility will attract interest at 10% per annum. No other fees are payable for this facility.
- On 23 February 2004 the Company entered into a non-binding memorandum of understanding with Farmacule Bioindustries Pty Ltd with respect to a research collaboration regarding the production of recombinant human vitronectin in plants, with a view to entering into a joint venture for the manufacture and marketing of a recombinant human vitronectin product manufactured in plants. Professor David Gardiner and Mr Greg Baynton are directors of Farmacule Bioindustries Pty Ltd. QUT is a substantial shareholder of Farmacule Bioindustries Pty Ltd. Interests associated with Mr Greg Baynton hold shares in Farmacule Bioindustries Pty Ltd.

Refer to the Significant Documents Section 11 of the Prospectus for more details on these agreements.

Other Related Parties

There have been no material other related party transactions during the financial year.

NOTE 13: SEGMENT INFORMATION

The Company operates in Australia, predominantly in biotechnology.

APPENDIX C

TISSUE THERAPIES LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION TO 31 OCTOBER 2003

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events have occurred after 31 October 2003, which have had a significant effect on the state of the Company's affairs.

- The Company was successful in its Application for a BIF grant, which is valued at \$242,500 over 18 months. Under the terms of the BIF grant, the Company has an obligation to provide matching funding as required.
- In accordance with shareholder approval granted on 29 January 2004, the Company intends to grant a total of 1,075,000 Options on the Quotation Date to Directors, executives, employees and key individuals. It is intended that 950,000 of these Options will be granted to Directors and their Director-related entities on the same terms and conditions as those granted to other executives and employees.
- On 5 February 2004, the Directors resolved to establish a loan facility for \$100,000 with Roger Clarke. Any funds drawn down under this loan facility prior to completion of the Offer will be repaid from the proceeds of the Offer. The drawn amount of the loan facility will attract interest at 10% per annum. No other fees are payable for this facility.
- On 6 February 2004, the Company converted to a public company.

The full details of these agreements are set out in the Significant Documents Section 11 and Additional Information Section 12 of the Prospectus.

No other matters or circumstances have arisen since the 31 October 2003 which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

10. CORPORATE GOVERNANCE

10.1 SCOPE OF RESPONSIBILITY OF BOARD

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Tissue Therapies' shareholders with a view to building sustainable value for them and those of employees and those with whom the Group has dealings – residents, suppliers and the general community.

The Board's broad function is to:

- chart strategy and set financial targets for the Group
- monitor the implementation and execution of strategy and performance against financial targets
- appoint and oversee the performance of executive management
- generally to take and fulfil an effective leadership role in relation to the Group.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- composition of the Board itself including the appointment and removal of Directors
- oversight of the Group including its control and accountability systems
- development, implementation and review of remuneration policy and practices
- appointment and removal of senior management and the Company secretary
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance
- monitoring senior management's performance and implementation of strategy
- approving and monitoring financial and other reporting and the operation of committees.

10.2 COMPOSITION OF BOARD

The Board performs its role and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- the Board should comprise at least four directors
- at least half of the Board should be non-executive directors independent from management – the Board considers that two of the four current directors (Roger Clarke and Neil Reinhardt) meet this criterion. Professor David Gardiner, although a non-executive director, is Deputy Vice-Chancellor of QUT, a substantial shareholder, and accordingly is not considered independent. Gregory Baynton, as managing director of Orbit Capital, which provides services to the Company as outlined in Section 11.5, is likewise not independent.
- the chairman of the Board should be one of the independent non-executive directors – this is Roger Clarke.

10.3 BOARD CHARTER AND POLICY

The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

- a detailed definition of 'independence'
- a framework for the identification of candidates for appointment to the Board and their selection
- a framework for individual performance review and evaluation
- proper training to be made available to Directors both at the time of their appointment and on an ongoing basis
- basic procedures for meetings of the Board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive Directors

- ❑ ethical standards and values – formalised in a detailed code of ethics and values (Section 10.5)
- ❑ dealings in securities – formalised in a detailed code for securities transactions (Section 10.5) designed to ensure fair and transparent trading by Directors and senior management and their associates
- ❑ communications with shareholders and the market

These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and, generally, to build a culture of best practice both in Tissue Therapies' own internal practices and in its dealings with others, including shareholders, suppliers and the general community.

10.4 AUDIT AND RISK MANAGEMENT COMMITTEE

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. Its current members are the following Directors:

- ❑ Roger Clarke (Chairman)
- ❑ Gregory Baynton
- ❑ Neil Reinhardt

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Among the matters for which the committee is responsible are the following:

- ❑ Board and committee structure to facilitate a proper review function by the Board
- ❑ internal control framework including management information systems
- ❑ corporate risk assessment and compliance with internal controls
- ❑ internal audit function and management processes supporting external reporting
- ❑ review of financial statements and other financial information distributed externally
- ❑ review of the effectiveness of the audit function
- ❑ review of the performance and independence of the external auditors
- ❑ review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls
- ❑ assessing the adequacy of external reporting for the needs of shareholders
- ❑ monitoring compliance with the Company's code of ethics

Meetings are held at least two times each year. The committee invites the external auditors to attend each of its meetings.

10.5 BEST PRACTICE COMMITMENT

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this Section 10, that are designed to achieve this objective. Tissue Therapies' corporate governance charter is intended to 'institutionalise' good corporate governance and, generally, to build a culture of best practice both in the Company's own internal practices and in its dealings with others - including shareholders, suppliers and the general community.

The following are a tangible demonstration of the Company's corporate governance commitment:

❑ **Independent professional advice**

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.

❑ **Code of ethics and values**

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

❑ **Code of conduct for transactions in securities**

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

❑ **Charter**

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted and can be inspected on its website at www.tissuetherapies.com.

10.6 COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES AND BEST PRACTICE RECOMMENDATIONS

The ASX document, '*Principles of Good Corporate Governance and Best Practice Recommendations*' (the Guidelines) applying to listed entities was published in March 2003 by ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed Tissue Therapies' current practice against the Guidelines and outlines its assessment below:

❑ **Lay solid foundations for management and oversight**

The role of the Board and delegation to management have been formalised as described above in this Section 10 and will continue to be refined, in accordance with the Guidelines, in light of practical experience gained in operating as a listed company. Tissue Therapies complies with the Guidelines in this area.

❑ **Structure the Board to add value**

The Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and the Group. Two of the four Directors (Roger Clarke and Neil Reinhardt) are considered by the Board to be independent. The three non-executive Directors (Roger Clarke, Neil Reinhardt and Professor David Gardiner) together comprise a majority of the Board. Tissue Therapies complies with the Guidelines in this area.

❑ **Promote ethical and responsible decision-making**

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities as referred to in Section 10.5. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore complying with the Guidelines.

❑ **Safeguard integrity in financial reporting**

The audit and risk management committee (with its own charter) does not comply with the Guidelines in that it includes an executive Director (Gregory Baynton) and is chaired by Roger Clarke who is also chairman of the Board. It complies with the Guidelines, however, in that both Roger Clarke and Neil Reinhardt (its other member) are considered independent and that all three of its members are financially literate; Roger Clarke also has 'financial expertise' (defined in the Guidelines as being a financial professional with experience).

❑ **Make timely and balanced disclosure**

Current Tissue Therapies' practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the Company's corporate governance charter.

□ **Respect the rights of shareholders**

The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors will attend the annual general meeting and are available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

□ **Recognise and manage risk**

The Board, together with management, has constantly sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. The whole issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review. Review takes place at both committee level (audit & risk management committee), with meetings at least two times each year, and Board level.

□ **Encourage enhanced performance**

The corporate governance charter adopted by the Board requires individual performance review and evaluation to be conducted formally on an annual basis. External reviews and assessments of the Board's policies and procedures, and its effectiveness generally, may periodically be conducted by independent consultants. This possibility (which would involve professional scrutiny and benchmarking against developing best market practice) will be kept under review by the Board for possible future implementation. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively. Tissue Therapies' practice complies with the Guidelines in this area.

□ **Remunerate fairly and responsibly**

Tissue Therapies' current practices in this area are reviewed regularly. Remuneration of Directors and executives will be fully disclosed in the annual report. A clear distinction is made between non-executive Directors and executives in terms of the structure of their remuneration. The Board has not at this stage established a separate committee with delegated responsibility for remuneration policy and practices (although this decision will be kept under regular – at least annual - review) and, to that extent, does not therefore comply with the Guidelines.

□ **Recognise the legitimate interests of stakeholders**

The Board recognises the importance of this principle (which it believes represents not only sound ethics but also good business sense and commercial practice) and continues to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Company and its policies and practices comply with the Guidelines in this area.

11. SIGNIFICANT DOCUMENTS

The Board considers that certain agreements relating to Tissue Therapies Limited are significant to the Offer, the operations of Tissue Therapies Limited or may be relevant to investors. A description of significant documents or arrangements, together with a summary of the more important details of each of these agreements is set out below.

11.1 CONSTITUTION

□ **Shares**

The shares in the capital of the Company can be issued with preferred, deferred or other special rights, obligations or restrictions in relation to dividends, voting, return of share capital, payment of calls or other matters, as determined by the Board from time to time. All unissued shares are under the control of the Board, which may grant options on the shares, issue option certificates, allot or dispose of the shares on the terms and conditions and for consideration it thinks fit. This power is subject to contract or any contrary rules in the Constitution.

The Constitution permits the issue of preference shares on terms determined by the Board.

□ **Alteration of rights**

The rights and restrictions attaching to any class of shares (unless provided by the terms of issue of the shares of that class), can only be varied with the consent in writing of members with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

□ **Calls**

The Board may from time to time call upon shareholders for unpaid monies on their shares. If such a call is made, shareholders are liable to pay the amount of each call in the manner and at the time and place specified by the Board. Such calls may be payable by instalments.

When a resolution of the Board authorising the call is passed, the call will be deemed to have been made. It may be revoked or postponed at the discretion of the Board.

□ **Forfeiture and Lien**

The Company is empowered to forfeit shares in relation to any part of allotment monies, calls, instalments, interest and expenses which remains unpaid following any notice sent to a shareholder. Such forfeiture must occur in accordance with the Constitution, the Corporations Act and ASX Listing Rules.

The Company has a first lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a shareholder's shares. The lien or charge extends to all dividends declared in respect of the shares provided that, if the Company registers a transfer of any shares subject to this lien or charge without giving the transferee notice of the claim it may have at that time, the shares are freed and discharged from the Company's lien or charge in respect of that claim.

□ **Share Transfers**

Shares may be transferred in any manner required or permitted by ASX Listing Rules or the SCH Business Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Board may only refuse to register a transfer of securities of the Company as permitted by ASX Listing Rules or the SCH Business Rules.

□ **Directors need not issue share certificates**

Subject to the requirements of ASX Listing Rules and the Corporations Act, the Company need not issue share certificates.

□ **Meeting procedures**

ASX and each shareholder and Director of the Company is entitled to receive notice of and attend any general meeting of the Company. Two shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chairman and an adjournment, unless

the quorum required is present at the start of the business. The Company is obliged to convene and hold an annual general meeting.

□ **Voting rights**

Each shareholder has the right to receive notices of, and to attend, general meetings of the Company.

Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any restrictions imposed by the Corporations Act, the shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

□ **Remuneration of Directors**

Directors are to be paid out of Company funds as remuneration for their services, such sum as accrues on a daily basis as the Company in general meeting determines to be divided among them as agreed, or failing agreement, equally.

Directors' remuneration for their services as Directors is by a fixed sum and not a commission on or percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as directors, or who at the request of the Board engage on any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

Any Director may be paid a retirement benefit as determined by the Board, consistent with the Corporations Act and ASX Listing Rules.

A Director is disallowed from voting on any contract or arrangement in which he or she has directly or indirectly any material interest, if it will be contrary to the Corporations Act. If such a Director does vote, his or her vote will not be counted, nor will his or her attendance be counted in the quorum present at the meeting. Either or both of these prohibitions may be relaxed or suspended to any extent by ordinary resolution passed at a general meeting if permitted by the Corporations Act.

□ **Election of Directors**

There must be a minimum of three Directors and a maximum number of 10 Directors (not including alternate Directors), which the Board may from time to time determine provided it may not reduce the number below the number of Directors in office at the time of the reduction.

At every annual general meeting, subject to the Constitution, one third of the Directors (other than the Chief Executive Officer) must retire from office, and may offer themselves for re-election. If their number is not a multiple of three, then the number nearest to, but not less than one third will retire. A Director, other than the Chief Executive Officer, must retire from office at the conclusion of the third annual general meeting after which he or she was elected or re-elected.

With respect to the retirement of Directors, the Director or Directors longest in office since last being elected must retire. If a number of Directors were elected on the same day, the Directors to retire shall, in default of agreement between them, be determined by ballot.

□ **Dividend**

If the Board determines that a dividend is payable, it will be paid on all shares proportionate to the total amount for the time being paid on each share. Such dividend payment is subject to the rights and restrictions on the holders of shares created or raised under any special dividend arrangements.

The Board may establish and maintain one or more dividend plans, to which shareholders may elect to take up with some or all their shares subject to the rules of the plan.

Subject to ASX Listing Rules, the Board has the power to capitalise and distribute the whole or part of the undivided profits of the Company or standing to the credit of any reserve or other account and which is available for distribution. Such capitalisation and distribution must be in the same proportions which the

shareholders would be entitled to receive if distributed by way of dividend or in accordance with the terms of issue of any shares or terms of any plan for the issue of securities for the benefit of officers or employees.

The Board has the power to decide whether to pay shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the Constitution.

No dividend is payable except out of Company profits and no dividend or other monies paid in relation to a share will carry interest as against the Company.

❑ **Partial takeover bids**

The Company may prohibit registration of transfers purporting to accept partial takeover bids unless and until a resolution of the Company has been passed approving the offers in accordance with the provisions of the Constitution.

❑ **Indemnities and insurance**

The Company must indemnify current and past Directors, secretaries and executive officers of the Company against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, Director, secretary or executive officer, other than a liability owed to the Company or a related body corporate of the Company or a pecuniary penalty order or compensation order or where the liability does not arise out of conduct in good faith. Indemnities also apply to employees in circumstances designated under the Constitution.

❑ **Insurance**

The Company may also pay insurance premiums for officers and employees in certain designated circumstances but not where the liability arises out of a wilful breach of duty to the Company or an improper use of position or inside information, as prohibited by the Corporations Act.

11.2 INTELLECTUAL PROPERTY LICENCE AGREEMENT – QUT

Under a Licence Agreement dated 5 August 2003, Tissue Therapies has an exclusive licence from QUT throughout the world to commercialise and sub-license its rights to commercialise the following patent applications and any patents issued in respect of those patent applications ('Licensed Patents') and any know how associated with, and improvements to, the Licensed Patents:

- (a) the following patent applications entitled 'Growth Factor Complex':
 - ❑ Australian provisional patent application no. 2001291493
 - ❑ US patent application serial no. 10/380892
 - ❑ European Patent Convention application no. EP1333853 (in all European Patent Convention states)
 - ❑ Japanese patent application no. 2002-528289
 - ❑ South Korean patent application no. 2003-7004204
 - ❑ New Zealand patent application no. 525302
 - ❑ Canadian patent application no. CA 2424394
 - ❑ People's Republic of China patent application serial no. 01819321.8;
- (b) Australian provisional patent application no. 2003900481 'Synthetic Modulators of Cell Migration and Growth'; and
- (c) Australian provisional patent application no. 2003903896 'Skin Regeneration System'.

On 5 February 2004, QUT filed a PCT patent application no. PCT/AU2004/000117 entitled 'Growth Factor Complexes and Modulation of Cell Migration and Growth' based on the Licensed Patent referred to in paragraph (b). This patent application is also a Licensed Patent as it relates to know-how associated with the patent applications listed in paragraphs (a) to (c) above.

Tissue Therapies may sub-license these rights without QUT's consent, provided that:

- (a) QUT's prior consent is obtained to any proposed sub-licence to a related body corporate of Tissue Therapies;
- (b) any such sub-licence is on proper commercial terms and contains the provisions stipulated in the Licence Agreement; and
- (c) any sub-licensee from Tissue Therapies is prohibited from granting further sub-licences without QUT's prior written consent.

The term of the Licence Agreement is:

- (a) from 5 August 2003 until the expiry of the last patent issued pursuant to the Licensed Patents; or
- (b) if no patent issues pursuant to the Licensed Patents within 7 years from 10 September 2003 ('Commencement Date'), 10 years from the Commencement Date.

The exclusivity of Tissue Therapies' licence of the Licensed Patents is subject to:

- (a) QUT and its collaborators being able to undertake internal research and teaching activities in respect of the Licensed Patents, but not to commercialise those patents; and
- (b) an irrevocable, perpetual, worldwide, royalty-free, non-exclusive licence to Australian Red Cross Blood Service to use the Licensed Patents:
 - to make, manufacture and develop products, devices and things developed during the course of its research collaboration with QUT to develop spray-on skin and a dermal substitute, provided that such products, devices or things are only used for non-commercial and non-profit purposes to enable Australian Red Cross Blood Service to assist in the treatment of burns patients in Australia and New Zealand where a request for that assistance is made of it by a hospital
 - for research purposes.

Under the Licence Agreement, Tissue Therapies must pay to QUT:

- (a) 2% of the total income received by Tissue Therapies from the sale of any product or service resulting or developed from the Licensed Patents in countries where there is only a patent application or no patent application, less freight and freight insurance costs, value added tax, GST, sales tax or similar tax, increasing to 4% of that amount in countries where a patent issues pursuant to a Licensed Patent; and
- (b) 12.5% of any consideration (other than R&D fees) over \$50,000 or such higher amount as agreed with QUT received from a sub-licensee of the Licensed Patents.

These payments may be reduced by up to half to the extent that Tissue Therapies is obliged to enter into a patent licence agreement with a third party in order to lawfully exercise its rights under the Licence Agreement. The Directors of Tissue Therapies anticipate that the Company will generate most of its revenues, and accordingly pay the majority of its royalties, in respect of sales of products and services, which revenues are subject to the lower royalty rate, rather than from sub-licensing.

Tissue Therapies must pay all patent registration fees and renewal fees in respect of the Licensed Patents and all patent applications in respect of other relevant know-how.

Tissue Therapies has granted an indemnity in favour of QUT in respect of any action, claim, proceeding or suit brought as a result of any act or omission by Tissue Therapies, or any breach of the Licence Agreement by Tissue Therapies.

QUT may terminate the Licence Agreement immediately by written notice to Tissue Therapies if Tissue Therapies:

- (a) fails to pay overdue royalties within 30 days of receiving a notice from QUT to do so;
- (b) breaches the Licence Agreement and fails to remedy that breach within 60 days of receiving a notice from QUT to do so;
- (c) has a receiver appointed and an order is made or a resolution is passed to wind up Tissue Therapies (except where that winding up is for the purpose of amalgamation or reconstruction and the resulting company agrees to be bound by the Licence Agreement, and QUT does not object to that company);

- (d) ceases to carry on its business, including commercialisation of the Licensed Patents, without QUT's prior written consent; or
- (e) enters into a scheme of arrangement or composition with its creditors without QUT's prior written consent.

Tissue Therapies may terminate the Licence Agreement immediately by written notice to QUT if QUT breaches the Licence Agreement and fails to remedy that breach within 30 days of receiving notice to do so from Tissue Therapies.

Tissue Therapies has subsequently entered into a Deed of Assignment of Intellectual Property Rights with QUT, under which QUT will assign the Licensed Patents and associated intellectual property rights to Tissue Therapies, details of which are set out in Section 11.3 below.

11.3 DEED OF ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS

On 16 February 2004, Tissue Therapies entered into a Deed of Assignment of Intellectual Property Rights ('Deed') with QUT, under which QUT has agreed to assign to Tissue Therapies the Intellectual Property licensed to Tissue Therapies under the Licence Agreement in exchange for a payment of \$100,000, provided that certain preconditions are met. These preconditions are:

- (a) Tissue Therapies has successfully listed on ASX;
- (b) the escrow period in respect of trading in Shares following Tissue Therapies' listing on ASX applicable to QUT's shareholding has expired;
- (c) Tissue Therapies has held cash reserves of at least \$2million for a minimum period of 6 months immediately prior to Tissue Therapies giving notice to QUT requesting that the Intellectual Property be assigned to it;
- (d) Tissue Therapies and QUT have agreed that the Research and Development Agreement between them will continue for a period of at least 5 years from the date on which the Intellectual Property is assigned to Tissue Therapies;
- (e) Tissue Therapies has provided a minimum of \$300,000 of funding to QUT over a minimum period of 12 months for research and development activities to be conducted by at least 20 research staff and students at QUT; and
- (f) the Shares have been consistently traded for a minimum of 6 months on ASX at a weighted average value of at least twice the Offer Price.

Once these preconditions have been fulfilled, Tissue Therapies may give at least 7 days' notice to QUT to assign the Intellectual Property to Tissue Therapies.

On assignment of the Intellectual Property from QUT to Tissue Therapies, Tissue Therapies will grant to QUT an irrevocable royalty-free licence to use the Intellectual Property for internal research or teaching activities, including fee-paying teaching activities, but not for commercialisation purposes. Tissue Therapies will also grant a royalty-free licence to use the Intellectual Property to collaborators of QUT approved by Tissue Therapies for use in respect of research projects with QUT approved by Tissue Therapies. Tissue Therapies may raise any concerns that it may have that a research or teaching activity of QUT is likely to adversely affect the commercial value of the know-how comprised in the Intellectual Property, and in that event, QUT must take reasonable steps as requested by Tissue Therapies to ensure that its activities do not have that effect.

Following the assignment of the Intellectual Property from QUT to Tissue Therapies:

- (a) the Licence Agreement will terminate;
- (b) QUT will assist Tissue Therapies to maintain, enforce and defend the Intellectual Property; and
- (c) for 5 years from the date of that assignment, Tissue Therapies must:
 - include a statement in all announcements that it makes to ASX, other than routine company secretarial announcements, that the Intellectual Property was developed by a team of experts at QUT
 - provide reasonable ongoing media support to QUT for the promotion of QUT's research and education programs
 - maintain a hyperlink from Tissue Therapies' website to QUT's website in the form and in the position agreed between the parties.

11.4 R&D AGREEMENT

Under an R&D Agreement with QUT dated 5 August 2003, Tissue Therapies has appointed QUT to undertake R&D Projects as requested by Tissue Therapies during the term of the Licence Agreement. Unless Tissue Therapies and QUT cannot agree on the terms of an R&D Project, then Tissue Therapies must not request anyone other than QUT to undertake R&D Projects. If Tissue Therapies cannot reach agreement with QUT in respect of an R&D Project, the terms offered by Tissue Therapies to a third party to conduct that R&D Project must not be more favourable than those offered to QUT.

Tissue Therapies has granted QUT a non-exclusive, royalty-free licence of the Licensed Patents under the R&D Agreement solely for the purposes of conducting each R&D Project. QUT must not commercialise the Licensed Patents or work with third parties in respect of the Licensed Patents, other than in respect of its existing agreement with Australian Red Cross Blood Service.

All intellectual property rights in R&D Project results will be:

- (a) owned by QUT; and
- (b) exclusively licensed to Tissue Therapies under the Licence Agreement, subject to QUT's licence under the R&D Agreement to use that intellectual property for the purposes of its own internal R&D.

The R&D Agreement terminates on termination or expiry of the Licence Agreement.

11.5 CORPORATE AND COMMERCIAL SERVICES ADVISORY AGREEMENT

The Company has entered into an agreement dated 13 February 2004 with Orbit Capital under which Orbit Capital is to provide it with certain services.

These services are in the nature of corporate and commercial advisory services in relation to such matters as capital raising, investor relations, liaison with ASX and brokers, and joint venture, licensing, distribution and other arrangements with strategic partners. Other matters - in the nature of research and development activities and day-to-day operational management and general administration of the Company and its business as well as administrative and secretarial support for the advisory services mentioned - are specifically excluded from the scope of these services.

Under the agreement the Company is to pay Orbit Capital \$5,500 plus GST per month subject to regular monitoring and provision for renegotiation if the time commitment required of Orbit Capital exceeds agreed levels.

The agreement runs for a period of two years from the date of the Company's admission to the official list of ASX (subject to prior termination in certain specified circumstances) and continues thereafter unless and until terminated by either party on not less than three months' written notice to the other to expire at the end of that period or at any time subsequently.

Each party may also terminate the agreement at any time:

- without prior notice - if the other becomes insolvent or commits a breach of its terms that is commercially significant
- following notice - if the other commits some other breach and fails to rectify it within the period of notice.

Orbit Capital may terminate it, in addition, on one month's notice if the parties have sought to renegotiate fee levels to reflect an increased time commitment required of Orbit Capital but been unable to reach agreement.

11.6 UPTON CONSULTANCY AGREEMENT

Tissue Therapies has entered into a Consultancy Agreement dated 13 October 2003 as amended by agreement dated 13 February 2004 appointing Dr Zee Upton to provide consulting services to Tissue Therapies until 31 July 2006, to assist Tissue Therapies to promote its business objectives. The nature of those services will reflect Dr Upton's role as Chief Scientific Officer with Tissue Therapies.

A consulting fee of \$35,000 per annum is payable by Tissue Therapies to Dr Upton or her nominee for providing consulting services to Tissue Therapies. This fee is payable from the date on which the Shares are first quoted on ASX.

If Dr Upton provides consulting services to third parties, she must keep confidential the technical, commercial and scientific information of the data made available to her by Tissue Therapies or resulting from her work with Tissue Therapies.

Under a supplementary Deed Poll, Dr Upton has assigned all intellectual property developed by her during the course of this consultancy to Tissue Therapies.

11.7 BIF GRANT

On 23 February 2004, Tissue Therapies entered into the BIF Grant Deed to receive funding of up to \$242,500 pursuant to a BIF grant.

Under the BIF Grant Deed, Tissue Therapies warrants that it has the intellectual property rights and technical information necessary to carry out the research project entitled 'Growth Factor Complexes for Tissue Growth and Repair' ('Project') and to commercialise the results of that Project.

Payment of the grant monies under the BIF Grant Deed will be made quarterly, subject to the availability of funding for the BIF program.

DITR may refuse to pay the grant monies if:

- (a) in the reasonable opinion of DITR, Tissue Therapies has not demonstrated satisfactory progress and expenditure on the Project;
- (b) in the reasonable opinion of DITR, Tissue Therapies has not complied with all its obligations under the BIF Grant Deed;
- (c) Tissue Therapies becomes insolvent; or
- (d) DITR becomes entitled to terminate the BIF Grant Deed.

DITR may also defer payment of the grant monies due in the last quarter of a financial year until the next financial year if DITR believes that there may be insufficient funding available in the then current financial year to meet that payment.

Tissue Therapies may only use the grant monies for eligible expenditure. It must contribute matching funding which, together with the grant monies, is sufficient to pay for all eligible expenditure.

Tissue Therapies must immediately notify DITR if it is unable to provide matching funding. In those circumstances, DITR may terminate the BIF Grant Deed.

DITR may terminate the BIF Grant Deed by notice to Tissue Therapies if Tissue Therapies:

- (a) breaches the BIF Grant Deed and, where such breach is remediable, fails to remedy that breach within 21 days of receiving a notice from DITR requiring it to do so;
- (b) is in breach of any warranty under the BIF Grant Deed; or
- (c) is unable or about to become unable to pay all of its debts as and when they become due, or goes or is about to go into administration or receivership.

These termination rights may not be exercised by DITR for a period of 6 weeks where Tissue Therapies breaches the BIF Grant Deed due to causes beyond its reasonable control.

On termination of the BIF Grant Deed, DITR may, among things, require Tissue Therapies to repay some or all of the grant monies within 28 days.

Tissue Therapies must acknowledge the BIF grant and the BIF in any public statements that it makes about the Project until completion of the Project, other than in ASX announcements.

11.8 COMET GRANT AGREEMENT

Tissue Therapies has entered into a Business Assistance Agreement dated 17 June 2003 with the Commonwealth of Australia acting through DITR dated 17 June 2003 for a COMET grant of \$52,000 payable in 3 stages between 31 October 2003 and 31 March 2004, subject to the achievement of various milestones.

The objectives of the COMET grant are:

- (a) for Tissue Therapies to generate initial sales and attract investor interest over 6 to 12 months to fund the second stage of product development; and
- (b) to provide first round funding of marketing, licensing and ongoing new product development activities.

Tissue Therapies must only use the grant monies for the purposes set out in its Assistance Plan.

Tissue Therapies warrants under the Business Assistance Agreement that it has all the necessary rights in the background intellectual property to carry out the funded activities.

Tissue Therapies must carry out the funded activities in co-operation with its business advisor and, if necessary, with the assistance of the national manager of the COMET program and DITR.

It is a condition of the COMET grant that Tissue Therapies advises its business advisor if it does not achieve a milestone or it changes its key personnel, or if it obtains other financial assistance for the activities funded by the COMET grant.

The Commonwealth may refuse to pay an instalment of the grant monies if:

- (a) Tissue Therapies does not achieve a milestone linked to that instalment;
- (b) the total of all instalments paid would exceed 80% of total expenditure by Tissue Therapies on the funded activities during the term of the Business Assistance Agreement;
- (c) Tissue Therapies changes its key personnel without the approval of the national manager of the COMET program;
- (d) Tissue Therapies breaches the Business Assistance Agreement; or
- (e) Tissue Therapies does not maintain all relevant approvals relating to the funded activities or breaches the law relevant to the conduct of those activities.

Tissue Therapies may be required to pay back all or part of the grant monies if it breaches the Business Assistance Agreement or it is paid more than it is entitled to under the COMET grant by the Commonwealth.

The Commonwealth may terminate the Business Assistance Agreement with Tissue Therapies if Tissue Therapies:

- (a) breaches that agreement (except where that breach was beyond the reasonable control of Tissue Therapies, and the reason for that breach continues for less than 12 weeks);
- (b) without its business advisor's approval, enters into a contract with a consultant or other service provider in respect of the Assistance Plan or delays achieving an activity outlined in that plan;
- (c) changes its key personnel without the approval of the national manager of the COMET program;
- (d) is or is likely to become insolvent; or
- (e) does not maintain approvals relating to its activities under the Business Assistance Agreement.

If the Business Assistance Agreement is terminated, the Commonwealth will not be obliged to pay any remaining unpaid amounts of the grant monies to Tissue Therapies, and the Commonwealth can require Tissue Therapies to repay all or any part of the grant monies.

11.9 BAXTER CONSULTANCY AGREEMENT

On 6 February 2004, Tissue Therapies entered into a Consultancy Agreement with the University of Sydney ('University') and Professor Robert Baxter ('Baxter'). The term of the Consultancy Agreement is 12 months from the date on which Tissue Therapies is first listed on ASX.

Under the Consultancy Agreement, the University has agreed to provide strategic and scientific advice to Tissue Therapies, and to mentor Tissue Therapies' research team in the area of tissue therapies technologies ('Services'). As part of the Services, the University must provide to Tissue Therapies certain reports and Board briefing papers ('Consultancy Documents') regarding the progress of the Services.

The Services will be performed by Baxter. If Baxter becomes unavailable before completion of the Services, then the University must use its reasonable endeavours to appoint a replacement consultant who is acceptable to Tissue Therapies. If an acceptable replacement for Baxter cannot be found, then the Consultancy Agreement will terminate.

During the term of the Consultancy Agreement, Baxter must not provide similar services to other groups or organisations in the field of applications for the use of insulin-like growth factors in wound care, tissue engineering, cell culture, dermatology, cosmetics or anti-cancer therapeutics ('Field'). The University may provide similar services in the Field during the term of the Consultancy Agreement.

The fee payable by Tissue Therapies for the Services ('Consultancy Fees') is \$35,000 (excluding GST) over the 12 month term of the Consultancy Agreement. The University must obtain the prior written permission of Tissue Therapies before incurring additional work or costs.

The University will retain all right, title and interest in any intellectual property owned and made available by the University for the purpose of providing the Services. Provided that Tissue Therapies pays the Consultancy Fees and is not otherwise in breach of the Consultancy Agreement, Tissue Therapies will own the results of the application of the University's skills and know-how to the provision of the Services as incorporated into the Consultancy Documents ('Consultancy Results'). The University must take all reasonable actions to keep the Consultancy Results confidential. Apart from the Consultancy Results, all intellectual property from the performance of the Services by the University will be owned by the University, and it may deal with that intellectual property as it sees fit.

The University may issue publications relating to the conduct of and conclusions reached in the performance of the Services with the prior written consent of Tissue Therapies.

Provided that the parties comply with their obligations under the Consultancy Agreement, and subject to the restriction on Baxter in respect of the Field, the parties are free to engage in other activities similar to or in competition with the activities being conducted under the Consultancy Agreement.

The University's liability to Tissue Therapies in respect of the Services is limited to, at the University's discretion, providing the Services again, paying the cost of having the Services re-performed, or refunding the fees payable by Tissue Therapies for the Services. The University's liability for consequential, indirect and special damage is excluded.

The Consultancy Agreement may be terminated by mutual agreement at any time. If the University becomes unable to fulfil its obligations under the Consultancy Agreement, then provided that it promptly notifies Tissue Therapies, the Consultancy Agreement will be terminated, and Tissue Therapies will be liable to pay the University pro rata for the time during which it has provided the Services up to the date of termination. Either party may terminate the Consultancy Agreement for un-remedied breach by the other party, and the University may terminate the Consultancy Agreement if Tissue Therapies suffers an insolvency event. If the Consultancy Agreement is terminated, Tissue Therapies will not be entitled to recoup any fees paid by it to the University, and all fees accrued up to and including the date of termination are payable by Tissue Therapies within 14 days of the date of termination.

11.10 MEMORANDUM OF UNDERSTANDING – FARMACULE BIOINDUSTRIES PTY LTD

Tissue Therapies has entered into a non-binding memorandum of understanding with Farmacule Bioindustries Pty Ltd ACN 097 607 102 ('Farmacule') dated 23 February 2004 with respect to a research collaboration regarding the production of recombinant human vitronectin in plants, with a view to entering into a joint venture for the manufacture and marketing of a recombinant human vitronectin product manufactured in plants ('Joint Venture'). The term of the research collaboration will be 12 months from the date of execution of the memorandum of understanding or, if a formal agreement is executed between the parties, 12 months from the date of execution formal agreement in respect of the collaboration between the parties. This term may be extended by mutual agreement.

Pursuant to the research collaboration, Tissue Therapies will provide to Farmacule:

- (a) VitroGro® reagents and know-how assistance for the purposes of conducting research for the purposes of the collaboration; and
- (b) funding for the purposes of carrying out the research.

The research under the research collaboration will be conducted in accordance with a research program ('Program') agreed between Tissue Therapies and Farmacule. All intellectual property generated from the Program ('Collaboration IP') will be owned by QUT, and Tissue Therapies and Farmacule will be joint exclusive licensees of that Collaboration IP for the purposes of the research collaboration and the Joint Venture, unless there has been an assignment from QUT to each party of the pre-existing intellectual property rights previously licensed by that party from QUT, in which case, all Collaboration IP will be held in the joint names of the parties, or where only one of the parties has received an assignment of the pre-existing intellectual property rights that it previously licensed from

QUT, jointly in the name of QUT and that party. Tissue Therapies and Farmacule will be jointly responsible for obtaining and maintaining patent protection (as appropriate) in respect of the Collaboration IP.

Except as otherwise agreed, the Collaboration IP must not be used for any purpose other than carrying out the Program. Tissue Therapies and Farmacule will each retain the pre-existing intellectual property rights that they bring into the research collaboration.

Under the research agreement between Tissue Therapies and Farmacule:

- (a) Tissue Therapies will grant to Farmacule a non-exclusive, royalty-free sub-licence to conduct internal, non-commercial research in the area of production of human vitronectin in plants using the Collaboration IP and Tissue Therapies' pre-existing intellectual property rights; and
- (b) Farmacule will grant to Tissue Therapies a non-exclusive, royalty-free sub-licence of Farmacule's pre-existing intellectual property rights for the sole purpose of conducting internal, non-commercial research under the Program.

Neither Tissue Therapies or Farmacule may sub-license the rights granted to them by the other party regarding their respective pre-existing intellectual property rights.

If either Tissue Therapies or Farmacule decides not to proceed with the Joint Venture, then either party may submit a proposal to use the Collaboration IP to the other party for approval, which approval must not be unreasonably withheld or delayed. Any such approval will be subject to the proposing party obtaining a licence to use the Collaboration IP if it is necessary to do so, and may be subject to such other reasonable terms and conditions as the parties may negotiate in good faith under a final agreement between the parties.

Further details of the proposed research collaboration between Tissue Therapies and Farmacule are subject to final agreement between the parties.

11.11 SERVICES AGREEMENT – RUSSELL RICHARDS

On 16 February 2004 the Company entered into a Services Agreement with Russell Richards trading as Bio Strada ('Bio Strada') for Bio Strada to provide the following services to the Company:

- operational responsibility for the development of VitroGro® products for sale by the Company, sourcing raw materials, sourcing external contract manufacturing capabilities, product and company operational, regulatory and quality assurance requirements, and sales and distribution of the VitroGro® products;
- responsibility for general administrative functions and co-ordinating service providers where required by the Board;
- in conjunction with the executive director of the Company, assist in co-ordination and support for business development and marketing activities to promote negotiation of technology licensing, collaboration and distribution arrangements;
- support for the chief scientific officer of the Company to promote the development of the Intellectual Property through commercial research and product development activities;
- assist in liaison with public and investor relations contractors and support for the general promotion of the Company's activities to enhance the Company's public profile; and
- support for capital raising and other fund raising activities being conducted by the Company, including assistance with preparation of grant applications under the direction of the executive director of the Company and/or the Board.

The Services Agreement is for an initial term of 1 year from the date on which the Company's shares are listed on ASX, and will be automatically renewed for further periods of 12 months until it is terminated by either party giving 2 months' prior written notice to the other party after the initial term, or for breach or insolvency by a party.

The fee payable by the Company to Bio Strada for providing these services is \$4,166 per month (excluding GST). The Company must also reimburse Bio Strada for certain direct expenses incurred by Bio Strada.

Bio Strada is subject to confidentiality obligations in providing the services, and is restrained during the term of the Services Agreement from providing services of the same or a similar nature to the Company's competitors in the field of wound care, cell culture products and tissue therapy regeneration.

11.12 EQUITY OPTION PLAN

The Company has adopted the Equity Option Plan in order to provide equity incentives to employees and certain other key individuals. This is constituted by rules which can be summarised as follows:

- Employees, individuals working either as or for independent contractors, and non-executive Directors may be offered the opportunity to apply for Options.
- The Board may, subject to the rules of the Equity Option Plan, determine the terms on which Options are to be offered and may attach conditions both to Options (that must be satisfied before exercise) and to Shares (subject to which those Shares must be held).
- Options may, at the discretion of the Board, be exercised early in certain circumstances – death, disability and redundancy.
- The exercise price may not be at a discount of more than 5% to market value (by reference to most recent sale prices).
- The Board must ensure that Shares under Option and Shares previously (within a period of two years) issued under the Equity Option Plan do not exceed 10% of the Shares on issue.
- Quotation will be sought by the Company for Shares issued following Option exercise.
- In the event of any reconstruction (including consolidation, sub-division, reduction or return) of issued capital, the number of Options or their exercise price, or both, will be adjusted (as appropriate) to the extent necessary to comply with the ASX Listing Rules.
- In the event of any pro rata bonus or cash issue, the number of shares under Option and the exercise price will be adjusted in the manner specified in the ASX Listing Rules and confirmed in writing to the holder.
- The holder shall not otherwise participate in new issues of securities and shall not participate in dividends.
- Where, prior to the exercise date, the Board determines that there are circumstances which will result in significant changes to the structure or control of the Company, and that those changes may adversely affect the rights of, or the value of benefits to, the holders of Options, the Board shall give written notice of that determination and, notwithstanding any other provisions of the Equity Option Plan, thenceforth allow each holder of Options to lodge a notice of exercise.
- Options may be transferred only with the prior written consent of the Board.

The Equity Option Plan may only be amended by ordinary resolution of the Company in general meeting or, in certain minor respects, by the Board.

11.13 RESTRICTION AGREEMENTS

Each of the Continuing Shareholders has entered into a Restriction Agreement with Tissue Therapies pursuant to which they are restricted from dealing in all of the Shares held by them (or such lesser number as required by ASX) for a period of 24 months from the Quotation Date (or such lesser period as ASX may specify). The total number of Shares held by Continuing Shareholders is 6,455,000. The Restriction Agreements are in the form required by the ASX Listing Rules and restrict the ability of the Continuing Shareholders to dispose of, create any security interest in or transfer effective ownership or control of, the restricted Shares.

11.14 UNDERWRITING AGREEMENT

The Company and the Underwriter have entered into the Underwriting Agreement whereby the Underwriter has agreed to underwrite the subscription of all of the Shares in the Offer ('Underwritten Shares').

Under the Underwriting Agreement:

- (a) the Company appoints the Underwriter as its agent to arrange and manage the Offer, including to nominate, in its absolute discretion, the allottees of all or any of the Underwritten Shares after consultation with the Company;
- (b) the Company agrees not to allot any Underwritten Shares under the Offer without prior consultation with, and approval of, the Underwriter;
- (c) the Company agrees to pay the Underwriter:

- an underwriting commission of 4% of the Underwritten amount (the Underwritten amount is \$3.5 million); and
 - a management fee of 1.0% of the Underwritten Amount;
- (d) the Underwriter agrees that it will be responsible for paying any handling fees in relation to the Offer; and
- (e) the Company agrees to pay or reimburse the Underwriter for certain other costs and expenses incurred in relation to the Offer.

The obligations of the Underwriter may be terminated, by notice in writing to Tissue Therapies, if:

- (a) **(lodgment of Prospectus)** the Company fails to lodge the Prospectus with ASIC on the Prospectus Lodgment Date except where a material reason for failing to lodge is an act or omission of the Underwriter;
- (b) **(admission approval)** approval is refused or not granted, other than subject to customary conditions, for the admission of the Company to the official list of ASX on or before the admission approval date, or if approval is granted, such approval is subsequently withdrawn, qualified or withheld before completion;
- (c) **(S&P / ASX 200 Index fall)** the S&P / ASX 200 Index is at any time on any three consecutive business days prior to the date of allotment of the Underwritten Shares more than 10% below the level of that index at the close of normal trading on the trading day before the date of signing the Underwriting Agreement;
- (d) **(NASDAQ index fall)** the NASDAQ Biotechnology Index as published by NASDAQ:
- closes on three consecutive business days at a level that is more than 12.5% below its level as at close of normal trading on the trading day before the date of signing the Underwriting Agreement ('NASDAQ Starting Level'); or
 - closes on a day which is less than three business days before completion of the Offer at a level which is 12.5% or more below the NASDAQ Starting Level and closes at that or a lower level on each subsequent business day that is prior to the business day on which completion of the Offer occurs.
- (e) **(adverse change)** any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company) from those respectively disclosed in the Prospectus or the public and other media statements made by or on behalf of the Company, including:
- any materially adverse change in the reported earnings or future prospects of the Company or an entity in the Group;
 - any materially adverse change in the nature of the business conducted by the Company or an entity in the Group; or
 - the insolvency or voluntary winding up of the Company or an entity in the Group or the appointment of any receiver, receiver and manager, liquidator or other external administrator;
- (f) **(withdrawal)** the Company withdraws or terminates the Prospectus or the Offer;
- (g) **(repayment)** any circumstance arises after lodgment of the Prospectus that results in the Company either repaying the money received from Applicants (other than to Applicants whose Applications were not accepted in whole or in part) or offering Applicants an opportunity to withdraw their Applications for Shares and be repaid their Application Monies.

The Underwriter may also terminate its obligations by notice in writing to Tissue Therapies if any of the following events occur and, in the reasonable opinion of the Underwriter, that event has or is likely to have a materially adverse effect on the outcome of the Offer or could give rise to liability for the Underwriter under any law or regulation:

- (a) **(disclosures in Prospectus)** a statement contained in the Prospectus is materially misleading or deceptive, or a matter required by the Corporations Act is omitted from the Prospectus (having regard to sections 710, 711 and 716 Corporations Act);
- (b) **(supplementary prospectus)** the Company fails to lodge a supplementary or replacement prospectus in a form acceptable to the Underwriter in circumstances where the Company is prohibited by section 728(1) Corporations Act from offering Shares under the Prospectus;

- (c) **(disclosures in Due Diligence Report)** any information supplied by or on behalf of the Company to the Underwriter in relation to the Group or the Offer as part of the due diligence process is materially misleading or deceptive;
- (d) **(hostilities)** hostilities political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest 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, any member state of the European Union, Japan, Indonesia, North Korea or the Peoples Republic of China or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (e) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth, State or Territory authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this Agreement), any of which does or is likely to have a material adverse effect on the success of the Offer;
- (f) **(change in management)** a change in the board of Directors or senior management of the Company occurs;
- (g) **(legal proceedings and offence by Directors)** any of the following occurs:
- a Director is charged with an indictable offence;
 - material legal proceedings are commenced against the Company; or
 - any Director is disqualified from managing a corporation under section 206A Corporations Act; or
- (h) **(change to Constitution)** other than as contemplated by the Prospectus, prior to the Relevant Date, a change to the Constitution or the Company's capital structure occurs without the prior written consent of the Underwriter;
- (i) **(notifications)** any of the following notifications are made:
- ASIC gives notice of an intention to hold a hearing under section 739(2) Corporations Act or issues an order under sections 739(1) or (3) Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 Corporations Act in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
 - any person gives a notice under section 733(3) Corporations Act or any person who has previously consented to the inclusion of their name in the Prospectus (or any supplementary prospectus) or to be named in the Prospectus withdraws their consent after lodgment;
 - the Company or an entity in the Group issues a public statement concerning the Offer which has not been approved by the Underwriter; or
- (j) **(breach)** the Company breaches any of its material obligations under this Agreement;
- (k) **(representations and warranties)** any representation or warranty contained in this Agreement on the part of the Company is breached;
- (l) **(prescribed occurrence)** an event specified in section 652C(1) or section 652C(2) Corporations Act, but replacing 'target' with 'Company'; or
- (m) **(timetable)** an event specified in the Timetable is delayed for more than 10 business days other than as the result of actions taken by the Underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the Underwriter's prior consent).

12. ADDITIONAL INFORMATION

12.1 INCORPORATION

Tissue Therapies was incorporated in Queensland on 6 September 2002. Tissue Therapies has a financial year end of 30 June.

12.2 RIGHTS ATTACHING TO SHARES

Tissue Therapies has only one class of shares, fully paid ordinary shares. As at the date of this Prospectus, Tissue Therapies has 6,455,000 Shares on issue. The rights attaching to Shares in Tissue Therapies are set out in its Constitution and summarised in Section 11.1.

12.3 SHAREHOLDING QUALIFICATION

Directors are not required under the Constitution to hold any Shares.

12.4 NUMBER OF SHAREHOLDERS

As at the date of this Prospectus the Company has 32 shareholders.

12.5 ASX ADMISSION AND QUOTATION

Tissue Therapies will apply to ASX for admission to the Official List and quotation of 7,000,000 Shares on ASX within seven days of the date of this Prospectus.

12.6 OPTIONS

In accordance with shareholder approval granted on 29 January 2004, the Company intends to grant a total of 1,075,000 Options on the Quotation Date to the following persons or their nominees:

Name of Grantee	Number of Options	Exercise Price	Expiry Date
Orbit Capital	600,000	\$0.50	30 November 2008
Roger Clarke	150,000	\$0.50	30 November 2008
Professor David Gardiner	100,000	\$0.50	30 November 2008
Neil Reinhardt	100,000	\$0.50	30 November 2008
Professor Robert Baxter	100,000	\$0.50	30 November 2008
Drummond McKenzie	25,000	\$0.50	30 November 2008

The aggregate number of Shares intended to be put under Option, 1,075,000, amounts to approximately 8% of the Shares on issue following completion of the Offer.

No Options have been granted pursuant to the Equity Option Plan and, as the date of this Prospectus, the Directors have no current intention to grant any Options pursuant to the Equity Option Plan.

12.7 TERMS OF OPTIONS

The terms of the 1,075,000 Options to be granted on the Quotation Date are set out below:

- The Options expire at 5.00 pm (Brisbane time) on 30 November 2008.
- Each Option entitles the optionholder to subscribe for one Share. Shares issued on the exercise of the Options rank equally in all respects with the then existing issued Shares in the capital of the Company. From the date of issue, Shares are subject to the provisions of the Constitution.
- The Options are exercisable at \$0.50 each.

- The Options are exercisable wholly or in part by execution and lodgement with the Company of a notice of exercise of Option and payment of the exercise price:
 - at any time up until 5.00pm (Brisbane time) 30 November 2008; or
 - if at any time during the period up to 9.00 am (Brisbane time) on 30 November 2008 a takeover bid (as that term is defined in section 9 of the Corporations Act) is made in respect of shares in any class of shares in the Company, then during the period from 9.00 am (Brisbane time) on the day following the day the takeover bid is announced and 5.00 pm (Brisbane time) on the day that is 14 days before the end of the period during which the offers under the takeover bid remain open.

The notice of exercise of Option must set out the number of Options which the optionholder wishes to exercise.

- The Options may only be transferred with the approval of the Directors of the Company. Any transfer shall be made in accordance with the Corporations Act 2001 and ASX Listing Rules.
- A holding statement will be issued for the Options and a copy of the terms and conditions will be forwarded to the optionholder. On the reverse side of the terms and conditions there will be endorsed a notice that is to be completed when exercising the Options. If there is more than one Option on a holding statement and prior to the expiry date those Options are exercised in part, the Company will issue another holding statement for the balance of the Options held and not yet exercised.
- An optionholder does not have the right to participate in new issues of securities offered to shareholders of the Company prior to the exercise of the Options.
- In the event of any reconstruction of the issued capital of the Company the number of Options or the exercise price of the Options or both are to be reconstructed (as appropriate) in a manner which does not result in any benefits being conferred on optionholders which are not conferred on shareholders of the Company and (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of the shareholders of the Company approving the reconstruction of capital) in all other respects the terms for the exercise of Options remain unchanged. The Options will be treated in the manner set out in ASX Listing Rule 7.22 as is appropriate to the type of reconstruction proposed.
- The Company is entitled to treat the registered holder of an Option as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a Court of competent jurisdiction or as required by statute.
- The Options will not be quoted on ASX.
- Unless the context otherwise requires, if there is any inconsistency between the provisions of the terms of issue and the Constitution, then, to the maximum extent permitted by law, the provisions of the terms of issue will prevail.
- If a calculation is required under the terms of issue, unless the contrary intention is expressed, the calculation will be performed to four decimal places.

12.8 LITIGATION

Tissue Therapies is not involved in any material legal or arbitration proceedings nor, so far as the Company is aware, are any such material proceedings pending or threatened against the Company.

12.9 CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part, of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

ABN AMRO Morgans Corporate Limited has given, and has not withdrawn, its written consent to be named as underwriter to the Offer in the form and context in which it is named.

ABN AMRO Morgans Limited has given, and has not withdrawn, its written consent to be named as broker to the Offer in the form and context in which it is named.

Orbit Capital has given, and has not withdrawn, its written consent to be named as corporate advisor to the Offer in the form and context in which it is named.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyer to the Offer in the form and context in which it is named.

Hacketts Chartered Accountants has given, and has not withdrawn, its written consent to be named as auditor in the form and context in which it is named.

Hacketts Corporate Advisory Pty Ltd has given, and has not withdrawn, its written consent to be named in the form and context in which it is named and with its Investigating Accountant's Report in Section 9 being included in the form and context in which it is included.

Pitcher Partners Registries has given, and has not withdrawn, its written consent to be named as share registrar in the form and context in which it is named.

12.10 INTERESTS OF EXPERTS AND ADVISORS

Other than as set out below or elsewhere in this Prospectus, no expert or any firm in which any expert is a partner has, or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by the Company and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any expert (or to any firm in which he or she is or was a partner) for services rendered by the expert or the firm in connection with the promotion of the Company or in connection with the Offer of Shares in the Company.

ABN AMRO Morgans Corporate Limited has acted as underwriter to the Offer. ABN AMRO Morgans Corporate Limited will receive fees of \$175,000 for underwriting and managing the Offer.

Orbit Capital has acted as corporate advisor to the Company and will be paid a management fee on successful completion of the Offer of \$75,000 (GST exclusive).

McCullough Robertson has acted as lawyer to the Offer and has been involved in undertaking due diligence enquiries and providing legal advice in relation to the Offer. McCullough Robertson will be paid an amount of \$60,000 (GST exclusive) up to the date of this Prospectus in respect of these services and may receive further payments in accordance with its normal time based charges.

Hacketts Chartered Accountants has acted as auditor for the Company and will be paid an amount of \$3,000 (GST exclusive) up to the date of this Prospectus in respect of these services and may receive further payments in accordance with its normal time based charges.

Hacketts Corporate Advisory Pty Ltd has prepared the Investigating Accountant's Report in Section 9. An amount of \$7,000 (GST exclusive) has been paid or is agreed to be paid in respect of these services.

12.11 INTERESTS OF DIRECTORS

Other than as set out above or elsewhere in this Prospectus:

- No Director or proposed Director of the Company and no firm in which a Director or proposed Director of the Company is or was at the relevant time, a partner has, or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, the Company; and
- No amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director or proposed Director of the Company (or to any firm in which he is or was a partner) either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

Payment to Directors

The Constitution provides that the Directors may be paid, as remuneration for their services, a sum determined from time to time by the Company's shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree.

The maximum aggregate amount, which has been approved by shareholders for payment to the Directors, is \$250,000 per annum. The Directors' fees for the first year following listing will be a maximum of \$55,000. The Chairman will receive \$25,000 and each of the other Directors \$10,000 per annum on a pro rata basis. No amounts

have been paid to Directors to date. The fees will only be payable from the date of listing and the Chairman will not draw any fees until 1 July 2004.

Shares and Options

The table below sets out the interests of Directors (personally or through associates) in Shares and Options at the date of this Prospectus and on completion of the Offer.

Director	Current holding of Shares	Holding of Shares on completion of the Offer ¹	Current holding of Options	Holding of Options on completion of the Offer
Roger Clarke ¹	Nil	200,000	Nil	150,000
Professor David Gardiner ²	2,255,000	2,255,000	Nil	100,000
Gregory Baynton ^{1,3}	500,000	520,000	Nil	600,000
Neil Reinhardt ¹	200,000	260,000	Nil	100,000

1. Certain Directors or their associates intend subscribing for Shares pursuant to the Offer. Their applications for Shares may or may not be successful.
2. A total of 2,255,000 shares are held by QUT which is a related entity of Professor David Gardiner.
3. Orbit Capital, a related entity of Gregory Baynton, has agreed to sub-underwrite 200,000 Shares under the Offer and may be required to subscribe for up to 200,000 Shares in the event of any shortfall under the Offer.

Contracts with Directors or Director-related entities

In the previous two year period transactions entered into with Directors of the Company or their related entities were as follows:

- On 5 August 2003 the Company entered into an Intellectual Property Licence Agreement with QUT whereby Tissue Therapies was granted an exclusive right to commercialise and sub-license the right to commercialise specific patent applications. QUT is a related entity of a Director, Professor David Gardiner. The licence and trademarks were acquired at a total cost of \$342,250. Refer Section 11.2.
- On 5 August 2003, the Company entered into a R&D Agreement with QUT to undertake R&D Projects as requested by the Company during the term of the above Intellectual Property Licence Agreement and on normal terms and conditions. Refer Section 11.3.
- On 13 February 2004, the Company entered into a Corporate and Commercial Services Advisory Agreement with Orbit Capital for a period of two years from the date of listing of the Company on ASX. Orbit Capital is a related entity of a Director, Gregory Baynton. Refer Section 11.5.
- Orbit Capital will be paid a success fee of \$75,000 in the event of successful completion of the Offer for corporate and commercial services relating to the Offer.
- On 5 February 2004, the Directors resolved to establish a loan facility for \$100,000 with Roger Clarke. Any funds drawn down under this loan facility prior to completion of the Offer, will be repaid from the proceeds of the Offer. The drawn amount of the loan facility will attract interest at 10% per annum. No other fees are payable for this facility.
- On 16 February 2004, the Company entered into a Deed of Assignment of Intellectual Property Rights with QUT, under which QUT will assign the Intellectual Property to the Company on the payment of \$100,000 by the Company and the satisfaction of certain preconditions regarding, among other things, its levels of cash reserves, the Company's Share price and a minimum level of expenditure under the R&D Agreement. Refer Section 11.3.
- On 23 February 2004, the Company entered into a non-binding memorandum of understanding with Farmacule Bioindustries Pty Ltd with respect to a research collaboration regarding the production of recombinant human vitronectin in plants, with a view to entering into a joint venture for the manufacture and marketing of a recombinant human vitronectin product manufactured in plants. Professor David Gardiner and Gregory Baynton are directors of Farmacule Bioindustries Pty Ltd. QUT is a substantial shareholder of Farmacule Bioindustries Pty Ltd. Interests associated with Gregory Baynton hold shares in Farmacule Bioindustries Pty Ltd. Refer Section 11.10.

- On 18 February 2004, Orbit Capital entered into a sub-underwriting agreement with ABN AMRO Morgans Corporate Limited to sub-underwrite 200,000 Shares in the Offer. The fee payable is \$1,500.
- On 23 February 2004, the Company entered into an underwriting agreement with ABN AMRO Morgans Corporate Limited. Roger Clarke is a director of ABN AMRO Morgans Corporate Limited. Refer Section 11.14.

12.12 EXPENSES OF THE OFFER

The total estimated expenses of the Offer payable by the Company including ASX and ASIC fees, stamp duty, underwriting fees, advisory fees, accounting fees, legal fees, Share Registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be approximately \$383,000.

12.13 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Constitution and the written consents to the issue of this Prospectus are available for inspection during normal office hours at the registered office of the Company for 12 months after the date of this Prospectus:

12.14 ELECTRONIC PROSPECTUS

Prospectus availability

This Prospectus is available in electronic form at www.tissuetherapies.com, www.abnamromorgans.com.au and www.orbitcapital.com.au. Any person receiving this Prospectus electronically will on request be sent a paper copy of this Prospectus (and attached Application Form) by the Company free of charge during the period of the Offer. Applications must be made by completing a paper copy of the Application Form. The Company will not accept Application Forms electronically.

Electronic Prospectus

The Application Form may only be distributed attached to a complete and unaltered copy of this Prospectus. The Company will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be tampered with or altered in any way, the Company cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from the Company, the Underwriter or the broker to the Offer.

12.15 PRIVACY

Upon applying for Shares in the Company, Applicants will be required to provide personal information to Tissue Therapies directly and/or via the Share Registry, such as name, address, telephone/fax numbers, email address, tax file number and account details. The Company and the Share Registry collect, hold and use that personal information to assess Applications, provide facilities and services to Applicants and undertake appropriate administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with such information in accordance with the Privacy Act 1988 as amended. Applications, which do not provide the information requested, may not be processed. Under the Privacy Act 1988 as amended, Applicants may request access to their personal information held by or on behalf of the Company by contacting the Share Registry as set out in the Directory.

12.16 AUTHORISATION

This Prospectus is issued by the Company and every Director has consented to its lodgement with ASIC.

13. GLOSSARY

adult stem cell	an undifferentiated cell found in a differentiated tissue that can renew itself and (with certain limitations) differentiate to yield all the specialised cell types of the tissue from which it originated
anaerobic	without oxygen
angiogenesis	the process of developing new blood vessels
antigen	any substance capable of specific binding to an antibody or a T-cell receptor that, even if it is unable to induce a specific immune response on its own, will do so if attached to a suitable carrier
apoptosis	programmed cell death
autologous	originating from self
binding protein	a protein that binds to other biological materials to facilitate biological processes
bioactive	having biological activity
bovine serum	serum isolated from cows
bovine spongiform encephalitis	a neuro-degenerative disease of domestic cattle caused by prions
cell culture	growth of cells in vitro on an artificial medium for experimental research
cell-based therapies	treatment in which stem cells are induced to differentiate into the specific cell type required to repair damaged or depleted adult cell populations or tissues
colony-stimulating factor	a glycoprotein growth factor that regulates cell differentiation
cosmeceutical	a drug that affects appearance or changes the structure or function of the body
culture media	the broth that covers cells in a culture dish, which contains nutrients to feed the cells as well as other growth factors that may be added to direct desired changes in the cells
cytokines	small proteins that affect cell-cell interaction, communication and cell behaviour
dendritic cell	a type of non-lymphatic cell found in some lymphoid tissues which acts as an antigen-presenting cell
dermis	the inner layer of skin beneath the epidermis
embryonic stem cell	primitive (undifferentiated) cell from the embryo that have the potential to become a wide variety of specialised cell types
epidermis	the outer layer of skin
epidermal growth factor	a polypeptide that promotes the growth of the epidermis
ex vivo	outside the body
feeder cells	cells, usually treated so that they will not divide, that secrete nutrients, that are required for the growth of other cell types
fermentation	the anaerobic enzymatic conversion of organic compounds to simpler compounds
fibroblast	cell type found in connective tissue
fibroblast growth factor	a polypeptide that promotes the growth of fibroblasts and other cell types
glycoprotein	a protein to which sugar units are bound
insulin-like growth factor	a peptide secreted by the liver that regulates cell division and growth
in vitro	in the laboratory

in vivo	inside the body
keratinocytes	outer cells of the epidermis that have been hardened by the protein keratin
lymph	fluid bathing all tissue spaces that drains into lymphatic vessels, and which is in communication with the blood in lymphatic tissues
lymphatic vessel	a vessel that carries lymph around the body
monoclonal antibodies	identical antibodies manufactured in large quantities in the laboratory
pathogen	a disease-inducing micro-organism
platform technology	a generic technology that can lead to multiple therapeutic products through different applications of the technology
pluripotent	possessing the ability to differentiate into a number of different cell and tissue types
polypeptide	a compound consisting of three or more amino acids
prion	a protein pathogen
progenitor cell	adult stem cell
reagent	a substance that causes a chemical reaction
serum	the clear liquid component of blood
stem cells	unspecialised cells that renew themselves for long periods through cell division. There are two types of stem cells: adult stem cells (or progenitor cells) and embryonic stem cells
subculturing	repeated replating of cells in tissue culture
therapeutic	useful for preventing, curing or alleviating a disease, ailment, defect or injury
tissue culture	a technique for growing cells from multicellular organisms in a liquid medium
totipotent	possessing the ability to differentiate into all cell and tissue types
vitronectin	serum protein that promotes the adhesion and spreading of cells in tissue culture
xeroderma pigmentosum	a rare genetic disease resulting in increased sensitivity to ultraviolet light, with an accompanying increased risk of developing skin cancer

APPLICATION FORM

TISSUE THERAPIES LIMITED

ABN 45 101 955 088

Public Offer

FOR REGISTRY USE ONLY

FOR BROKERS USE ONLY	
Broker Code	Adviser Code

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Corporations Act 2001 prohibits any person from passing onto another person this Application Form unless it is attached to or accompanied by this Prospectus.

USE BLOCK LETTERS

INSTRUCTIONS ON HOW TO COMPLETE SECTIONS A-J ARE SET OUT ON THE REVERSE OF THIS FORM.

A I / WE APPLY FOR Shares X A \$0.50

(Minimum 4,000 Shares and then in multiples of 500 Shares)

B A \$

Please make sure that the amount of your cheque(s) equals this amount and is made payable to 'Tissue Therapies Limited - Issue A/C'. Broker Firm Applicants should make their cheque(s) payable to the broker from which a firm allocation of Shares was received.

COMPLETE FULL NAME AND ADDRESS DETAILS

C INSERT CORRECT TITLE (MR/MRS/MISS/MS) GIVEN NAME(S) (IN FULL) SURNAME OR COMPANY NAME

INSERT CORRECT TITLE (MR/MRS/MISS/MS) GIVEN NAME(S) (IN FULL) SURNAME OR COMPANY NAME

D JOINT APPLICATION OR ACCOUNT DESIGNATION EG <SUPER FUND A/C>

E NUMBER/STREET OR PO BOX NO

SUBURB OR TOWN STATE POSTCODE

F CONTACT NUMBER (DAYTIME) CONTACT NAME

EMAIL ADDRESS (OPTIONAL)

G HIN - EXISTING CHESS PARTICIPANTS ONLY

H PIN YOUR CHEQUE(S) HERE

DRAWER	BANK	BRANCH	AMOUNT OF CHEQUE	Please make Cheque(s) Payable to Tissue Therapies Limited Offer Account
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>	

I I/we declare that this application is complete according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the constitution of Tissue Therapies Limited. Returning the Application form with your cheque for the Application Monies will constitute your offer to subscribe for Shares in Tissue Therapies Limited.

NO SIGNATURE REQUIRED

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

J ENTER YOUR TAX FILE NUMBER(S) (OR EXEMPTION CATEGORY) ENTER YOUR TAX FILE NUMBER(S) (OR EXEMPTION CATEGORY)

ENTER YOUR ABN ENTER YOUR ABN

Forward your completed application together with the application money to:

By mail: Pitcher Partners Registries
GPO Box 35
Brisbane Qld 4001
PH:(07) 3228 4219

By delivery: Pitcher Partners Registries
Level 22, 300 Queen Street
Brisbane Qld 4000
PH:(07) 3228 4219

Applications must be received by no later than 5.00PM on 23 MARCH 2004.

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**.

- (a) Enter the NUMBER OF SHARES you wish to apply for. Applications must be for the minimum of 4,000 Shares as set out in Section 3.1 of the Prospectus and thereafter multiples of 500 Shares.
- (b) Enter the TOTAL AMOUNT of application money payable. To calculate the amount multiply the number of Shares applied for by \$0.50 per Share.
- (c) Enter the FULL NAME(S) and TITLE(S) of all legal entities that are to be recorded as the registered holder(s). Refer to the name standards below for guidance on valid registration.
- (d) Account designations are optional. In the case of three joint holders, the third name should be written in the account designation.
- (e) Enter the POSTAL ADDRESS for all communications from the Company. Only one address can be recorded.
- (f) Enter the daytime telephone numbers and contact person the registry can speak to if they have any queries regarding this application. If you wish, enter an email address.
- (g) If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN).
- (h) Complete cheque details as requested. Payments must be made in Australian Currency and cheques must be drawn on an Australian Bank. Cheques or bank drafts must be made payable to "Tissue Therapies Limited – Offer Account" and crossed "not negotiable". Broker Firm Applicants should make their cheque(s) payable to the broker from which a firm allocation of Shares was received.
- (i) Before completing the application form the applicant(s) declare(s) that he or she has read the prospectus to which the application relates. The applicant(s) agree(s) that this application is for Shares in Tissue Therapies Limited upon and subject to the terms of the prospectus, agree(s) to take any number of Shares equal to or less than the number of Shares indicated in box A that may be issued to the applicant(s) pursuant to the prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the application form.
- (j) Enter the tax file number(s) of the applicants. With a joint holding, only the tax file numbers of two holders are required.

Privacy and Collection of Tax File Numbers

Please refer to Section 12.14 "Privacy" of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide us with the information requested on the Application Form, your Application may not be processed or accepted. Collection of Tax File numbers (TFN's) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not effect your application. However, if no TFN is quoted, your dividend may be taxed at the highest marginal tax rate plus Medicare levy.

Cheques or bank drafts must be payable to Tissue Therapies Limited - Offer Account and crossed Not Negotiable. Cheques not properly drawn will be rejected. Cheques will generally be deposited on the day of receipt. If cheques are dishonoured the application will be rejected.

Ready Reckoner

This ready reckoner will help you calculate the money you need to pay at \$.50 per Share

Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
4,000	\$ 2,000	4,500	\$ 2,250	5,000	\$ 2,500	8,000	\$ 4,000	9,000	\$ 4,500
10,000	\$ 5,000	15,000	\$ 7,500	20,000	\$ 10,000	30,000	\$ 15,000	40,000	\$ 20,000

Correct Forms of Registrable Names

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one name given in full and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms or registrable names below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full not initials	Mr John Alfred Smith	JA Smith
Company Use the Company's full title not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/c>	Sue Smith Family Trust
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Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
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Superannuation Funds Use the names of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

APPLICATION FORM

TISSUE THERAPIES LIMITED

ABN 45 101 955 088

Public Offer

FOR REGISTRY USE ONLY

FOR BROKERS USE ONLY	
Broker Code	Adviser Code

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Corporations Act 2001 prohibits any person from passing onto another person this Application Form unless it is attached to or accompanied by this Prospectus.

USE BLOCK LETTERS

INSTRUCTIONS ON HOW TO COMPLETE SECTIONS A-J ARE SET OUT ON THE REVERSE OF THIS FORM.

A I / WE APPLY FOR Shares X A \$0.50

(Minimum 4,000 Shares and then in multiples of 500 Shares)

B A \$

Please make sure that the amount of your cheque(s) equals this amount and is made payable to 'Tissue Therapies Limited - Issue A/C'. Broker Firm Applicants should make their cheque(s) payable to the broker from which a firm allocation of Shares was received.

COMPLETE FULL NAME AND ADDRESS DETAILS

C INSERT CORRECT TITLE (MR/MRS/MISS/MS) GIVEN NAME(S) (IN FULL) SURNAME OR COMPANY NAME

INSERT CORRECT TITLE (MR/MRS/MISS/MS) GIVEN NAME(S) (IN FULL) SURNAME OR COMPANY NAME

D JOINT APPLICATION OR ACCOUNT DESIGNATION EG <SUPER FUND A/C>

E NUMBER/STREET OR PO BOX NO

SUBURB OR TOWN STATE POSTCODE

F CONTACT NUMBER (DAYTIME) CONTACT NAME

EMAIL ADDRESS (OPTIONAL)

G HIN - EXISTING CHESS PARTICIPANTS ONLY

H PIN YOUR CHEQUE(S) HERE

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Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
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Long Names	Mr Jon William Alexander Robertson-Smith	Mr John WA Robertson-Smith
Clubs/ Unincorporated Bodies/ Business Names Use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the names of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

DIRECTORY

Company

Tissue Therapies Limited
ABN 45 101 955 088

Registered and Head Office

Level 25
Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
Tel (07) 3221 0140
Fax (07) 3220 1482
www.tissuetherapies.com

Postal Address

GPO Box 1596
BRISBANE QLD 4001

Directors

Roger Brian Clarke (Chairman)
Professor David George Gardiner
Gregory Alexander John Baynton
Neil Joseph Reinhardt

Company Secretary

Drummond McKenzie

Share Registry

Pitcher Partners Registries
GPO Box 35
BRISBANE QLD 4001
Tel (07) 3228 4219
www.pitcher.com.au

Auditors

Hacketts Chartered Accountants
Level 3
549 Queen Street
BRISBANE QLD 4000
www.hacketts.com.au

Investigating Accountant

Hacketts Corporate Advisory Pty Ltd
ACN 093 676 058
Level 3
549 Queen Street
BRISBANE QLD 4000
www.hacketts.com.au

Lawyers for the Company

McCullough Robertson
Level 12
Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000
www.mccullough.com.au

Underwriter to the Offer

ABN AMRO Morgans Corporate Limited
ABN 32 010 539 607
Level 29 Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
Tel (07) 3334 4888
www.abnamromorgans.com.au

Broker to the Offer

ABN AMRO Morgans Limited
ABN 32 010 669 726
Level 29 Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
Tel (07) 3334 4888
www.abnamromorgans.com.au

Corporate Advisor

Orbit Capital Pty Limited
ACN 092 586 831
Level 25 Waterfront Place
123 Eagle Street
BRISBANE QLD 4000
Tel (07) 3220 0648
www.orbitcapital.com.au

Electronic Prospectus Availability

This Prospectus can be downloaded from the following web sites:

www.tissuetherapies.com
www.abnamromorgans.com.au
www.orbitcapital.com.au

Tissue Therapies Limited

ABN 45 101 955 088

Registered and Head Office

Level 25, Waterfront Place 1 Eagle Street, BRISBANE QLD 4000

Tel: (07) 3221 0140 Fax: (07) 3220 1482

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