

# The Living Cell



A quarterly newsletter from Living Cell Technologies

November issue 2006

## Chairman's message

It gives me great pleasure to be writing to you, the LCT shareholders, as Chairman of the company. I wish to thank my predecessor Michael Yates for all his hard work and dedication as Non-Executive Chairman of LCT and extend a warm welcome to Laurie Hunter who has recently joined the Board.

Having recently returned from the United States, I was extremely buoyed by the positive reaction to LCT in our discussions with potential investors. It confirms our view that LCT is well regarded in the global cell therapy industry and we are considered to be well advanced in our product development compared to our direct competitors.

In the United States, the focus on finding treatments and cures for diabetes is immense. Business analysts and health professionals alike are desperate to find solutions for this rapidly growing and costly affliction. The efforts of companies such as LCT are increasingly being thrust into the spotlight.

The sheer size of the market at which our DiabeCell® product is directed is almost beyond comprehension. The consistent message we received from investment bankers, industry analysts and other market players we met in New York recently is that if we can get DiabeCell® into clinical trials in the US in the not too distant future we will see an exponential increase in the valuation of LCT.

The recent release of the trial results from the Edmonton Protocol study, which transplants human islet cells to control

diabetes, confirmed that the therapy works in humans but once again the drawbacks of using long-term immunosuppression and difficulty in obtaining enough donor cells was highlighted. With LCT meeting these two gaps with our encapsulation technology and biocertified pig herd, the company's future prospects look very promising.

Our application to the regulator MedSafe to conduct a clinical trial for our type 1 diabetes product (DiabeCell®) is a significant milestone for not only LCT, but also the field of xenotransplantation. LCT is the first company to ensure all the cells used will adhere to the recommendations from national and international regulatory authorities on xenotransplantation studies, including the US FDA.

I invite all LCT shareholders to join us at the company's Annual General Meeting in Sydney on November 24. This is an ideal opportunity to be informed of the plans for the upcoming year and also to have an informal chat after the AGM with the people running the company.

I hope to see you there.

Simon O'Loughlin,  
Chairman



## Conferences & presentations

LCT will be attending the AusBiotech National Conference 2006 (November 20-22) and presenting in the Investor Forum.

### August 18

#### Royal Society of New Zealand meeting

Prof Bob Elliott, LCT Medical Director, was an invited speaker at the Royal Society of New Zealand (RSNZ) meeting on the 200th anniversary of the discovery of the subantarctic Auckland Islands. Prof Elliott was invited to speak on the unique biology of LCT's Biocert® pigs and how they now play a crucial role in fighting human diseases such as type 1 diabetes and neurological disorders.

### August 4

#### Huntington's Disease Association – Satellite Conference to the 11th International Congress of Human Genetics

Dr Stephen Skinner, LCT Head of Neuroscience – NZ, attended the conference titled "Of Mice and Men and More" which was held in Queensland, Australia. Dr Skinner had the opportunity to discuss LCT's NtCell product with leading researchers in the field of Huntington's disease.

## Diary date

### Friday 24 November 2006

#### LCT Annual General Meeting

12.00 noon (AEST)  
NSW Trade & Investment Centre  
Level 47, MLC Centre, Martin Place  
Sydney, New South Wales  
Followed by refreshments

## Upcoming milestones

- Approval to start DiabeCell® human clinical trial
- Submission of IND for NtCell clinical trials
- Approval to develop another (DPF) pig facility

## Financial snapshot

### Shares on issue

**123,416,800**

### Market capitalisation

**\$24,700,000**

### Number of shareholders

**1,136**

### Capital Structure

Shareholders	Shares	% of shares
<b>Management</b>		
David Collinson (CEO)	9,627,656	8.16
Robert Elliott (Medical Director)	1,612,538	1.31
<b>Other Significant Interests</b>		
ANZ Nominees Ltd	14,944,052	12.12
K One W One Ltd	7,351,435	5.96
Westpac Custodian Nominees Ltd	5,368,555	4.35
Foundation Services Ltd	4,977,626	4.04

## Investor highlights – in brief

### 19 October LCT granted diabetes patent across the EU

LCT received confirmation of the decision by the European Patent Office to grant LCT an EU patent relating to its porcine pancreatic islet cell product for type 1 diabetes.

LCT has broad patent coverage in major geographical markets for the company's diabetes product with patents already granted in the US, New Zealand, Australia and Singapore. The national phase registrations of this patent extend LCT's DiabeCell® patent to 15 European countries including France, Germany, Italy and the United Kingdom.

### 28 August LCT lodges application for clinical trial with MedSafe

LCT lodged an application with the New Zealand regulator MedSafe to conduct a Phase I/IIa clinical trial of its type 1 diabetes product DiabeCell®.

The application is to conduct a trial on 8 long standing Type 1 (insulin-dependent) diabetics which is expected to be approximately 12 months in duration.

### 25 August LCT announces new Chairman and additional independent director

LCT announced the appointments of Mr Simon O'Loughlin as Chairman and Mr Laurie Hunter as an additional independent director.

Mr O'Loughlin is a commercial solicitor and currently Chairman of WCP Diversified Investments Ltd and a director of Petratherm Ltd and Aura Energy Ltd. Mr Hunter is Principal of the San Francisco based Hunter Capital LLC which provides corporate and financial services to emerging companies.

### 29 September Consolidated Financial Statements

LCT lodged the audited financial statements for the year ended 30 June 2006.

The cash balance at the end of the financial year to 30 June 2006 was \$2,956,379. Cash from investing activities generated \$7,175,688 over the year, net of transaction costs.

## Industry developments

### 27 September Edmonton Protocol results published

The New England Journal of Medicine published the results of the multi-centre Edmonton Protocol study which began in 2001 and treated 36 volunteers diagnosed with 'brittle' type 1 diabetes. The study involved 36 patients at nine centres in the USA, Canada and Europe.

The study results confirmed the validity of islet transplantation as a method to treat type 1 diabetes. It also once again highlighted the need to find a treatment without the negative side-effects of immuno-suppression and alternative sources of insulin secreting cells since the current supply of stable human donors is critically low.

## Development portfolio

Disease	Discovery	Preclinical	IND	Phase I/II	Pivotal	Market
Huntington's, Neurodegenerative diseases <b>NeurotrophinCell (NtCell)</b>	████████████████████			Possible orphan drug & compassionate use status		
Type 1 Diabetes <b>DiabeCell®</b>	██					
Haemophilia <b>Fac8Cell</b>	████████████████					



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## Talking with a leader ...

### Introducing Ms Isobel Cooper, Living Cell Technologies

Ms Cooper is Manager, Animal Facilities at LCT in New Zealand. She holds a Bachelor of Applied Science and is a Fellow of the Institute of Animal Technology of the UK. For over 30 years, she has been involved with the care and welfare of animals in research and the training of animal technologists and scientists. We ask her about LCT's Auckland Island pigs on the 200 year anniversary of the European discovery of the islands.

### What is so special about the Auckland Island pigs?

The Auckland Island pigs have been breeding on an isolated island without human interference for the last 200 years. This has meant they have been protected from the modern viruses and diseases that all normal pigs carry. They are now bred here in New Zealand by LCT, and specifically handled so that they remain disease free.

### Why are the pigs so crucial to the success of LCT?

The pigs are crucial to the success of LCT as they are the source of cells free of infectious agents. These cells have the potential to change the lives of many people afflicted by diseases such as diabetes and Huntington's disease.



### What standards does LCT have to meet in raising the pigs?

We have to meet extremely high standards in animal husbandry, care and welfare to ensure that the pigs remain disease free and the cells adhere to the recommendations from national and international regulatory authorities on xenotransplantation studies, including the US FDA. The other very important task is to keep the pigs happy and active. Our staff organise exercise and play periods for our pigs to have plenty of interaction with each other and the Animal Facility Staff.

### How does LCT measure the high health status of the pigs?

The high health status is measured by carrying out regular screening tests and physical examinations to ensure the herd remains in excellent health. The Molecular Diagnostics Laboratory in Auckland, headed by Dr Olga Garkavenko, are continuously doing diagnostic tests on samples from all the individual pigs to keep a full record of their health status.