The Living Cell

A quarterly newsletter from Living Cell Technologies

February issue 2005

Chairman's Letter

Dear Shareholder

2006 will be a major milestone in the development of LCT. The company moves into the year with a good financial position, excellent portfolio of programs, and the knowledge that its lead product, NeurotrophinCell, is in a positive position to begin human clinical trials.

At a time when organ donation rates are severely low, LCT's pig cell transplant therapies are offering a viable and valuable alternative for people suffering life threatening diseases.

This exciting future for cell-based therapies is seeing a growth in support by government and investors. The New Zealand Government is providing major grant assistance for developing LCT's product development capabilities. Similarly, the recent NZ Bioethics Council review and LCT's positive meeting with the US FDA and representatives of the US National Insitutes of Health (NIH) are encouraging signs of support from the US regulators for the future of xenotransplantation.

As global pharmaceutical companies continue to target their development plans, at the expense of orphan drugs - it has never been so crucial for biotechnology companies to be truly independent. LCT has been driven with this in mind and its fully integrated model allowing research and development through to in-house manufacturing will put the company at a serious competitive advantage.

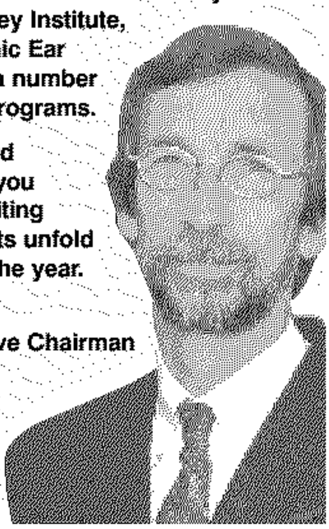
The General Meeting on 24 February to obtain shareholder approval for an additional placement to US and European investors is critical for LCT to pursue its business development and clinical milestones as aggressively as possible.

Our awareness program will also take a leap forward this year, through greater interaction with clinicians and doctors. As part of this development we are a partner in Brain Awareness Week (13-19 March), as well as an exhibitor at the world's biggest biotechnology conference, Bio2006, in Chicago in April. With heightened TV, radio and print coverage since the AGM in November, the outlook for LCT remains very positive.

As our lead products progress rapidly towards clinical trials, we are also pleased to be furthering our portfolio through collaborations with leading medical institutes in Australia. LCT is delighted to be working with the Integrative Neuroscience Facility at the Howard Florey Institute, and the Bionic Ear Institute on a number of exciting programs.

I look forward to updating you as more exciting developments unfold throughout the year.

Mick Yates,
Non-Executive Chairman



Investor Highlights – in Brief

In the past quarter, LCT has announced several promising developments to the Australian Stock Exchange, and presented some of these at major conferences:

16 November
Annual General Meeting

At the LCT Annual General Meeting in Sydney, LCT's directors outlined the company's progress in 2005. LCT CEO Mr David Collinson said the company had achieved important milestones and was now looking to advance its lead products towards the human clinical trial phase. The AGM was also told that the joint venture with US stem cell company MultiCell Technologies would give LCT valuable access to the global stem cell therapy market as well as being a further validation of the company's proprietary encapsulation technology.

9 December
Meeting with the FDA

LCT met with the US Food and Drug Administration (FDA) to discuss the pre-clinical data, research data, manufacturing and clinical trial strategy for its first cell therapy product, NeurotrophinCell. Members of the National Institutes of Health (NIH) and reviewers from the Centre for Biologics Evaluation and Research (CBER), the group within the FDA responsible for the evaluation of biologics, including cell and gene therapies, were in attendance.

The discussion at the pre-IND meeting with the FDA is helping frame the product development and trial design before the Investigational New Drug (IND) design application is filed. Further details will be disclosed upon receipt of the meeting minutes.

21 December
NZTE Grant

New Zealand Trade & Enterprise (NZTE) announced it had awarded a NZ$480,000 grant to LCT to help the transition of the company's research efforts into manufacturing outcomes. It will assist LCT to progress the accreditation, regulatory and testing requirements towards manufacturing and clinical trials for the new therapies. With NZTE's support, LCT will continue to be at the forefront of a new biopharming industry, developing medical grade pigs and manufacturing live cell products in New Zealand rather than entirely overseas.

22 December
Cure Kids NZ Grant

Cure Kids New Zealand announced a NZ$100,000 grant for LCT to pursue its program of liver cell transplantation treatment for haemophilia. The project received scientific approval as well as funding and will allow LCT to carry out the necessary pre-clinical studies to bring the Fac8Cell product to consideration for a human trial. The implanted liver cells may also be applicable to other disorders that interfere with normal liver function.

11 January

LCT raises $3m in placement

LCT raised $3 million through a placement of ordinary shares to major new US and European investors at $0.205 per share. Working with Hunter Capital International Inc., this placement represented 14,269,283 million ordinary shares. An additional 500,000 shares were issued to an Australasian investor at A$0.22 per share. The funds raised will be used as working capital to further progress the company's NeurotrophinCell (NtCell) product towards phase I/II clinical trials.

31 January

Quarterly Cash Flow announced

LCT released its financial report for the quarter ended 31 December 2005. The cash flow results were in line with management's expectations and reflect a number of initiatives involved in the company's product development over the past year. The cash balance at the end of the calendar year to 31 December 2005 was $4,552,000, compared to $2,648,491 at the end of the financial year to 30 June 2005, a net increase of $1,903,509.

One step closer

Xenotransplantation research moved one step closer in New Zealand with the release of the Bioethics Council report titled, 'The Cultural, Spiritual and Ethical Aspects of Animal-to-Human Transplantation'. The report presented the final recommendations to the New Zealand Minister for Environment after a year of public consultation and ethical review. The Bioethics Council believes xenotransplantation should be approved for use in New Zealand. After widespread consultation, the council concluded that the procedure of transplanting animal cells into humans is acceptable and should be allowed on a case-by-case basis.

LCT welcomed the Council's recommendation for an appropriate regulatory and decision-making framework, as well as appropriate measures to ensure that all xenotransplantation research is conducted under these guidelines. NZ Envrionment Minister David Benson-Pope said he planned to discuss the findings with NZ Health Minister Pete Hodgson and that the xenotransplantation legislation was due to be reviewed by the end of 2006.

What they said ...

"Over the next four years the New Zealand economy is expected to benefit by around NZ$300 million as a result of LCT's advancements."

Mr Chris Boalch, Biotechnology Sector Director, NZTE

"I would hope that as more information becomes available to people that fears that people do have will be allayed."

Crystal Beavis, submission on behalf of Diabetes Youth New Zealand

"In principle, we are not opposed to it".

Mr John Kleinsman, Researcher, Catholic Bioethics Centre

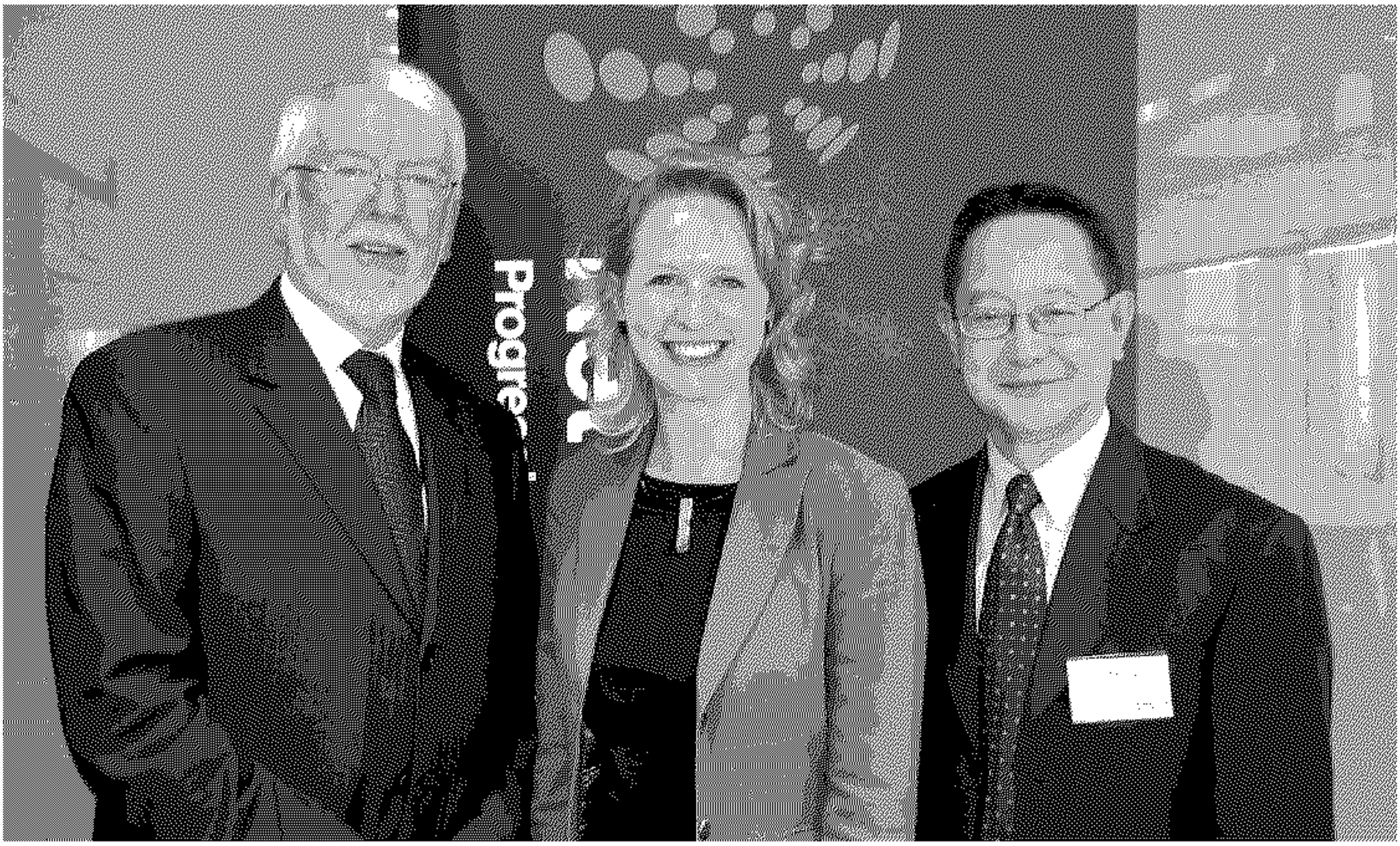
"It could make a significant contribution to the treatment of conditions such as heart disease and kidney failure. With the number of human tissue, cellular and organ donors falling well short of demand, xenotransplantation presents a strong possible alternative."

BioEthics Council Report

Conferences & Presentations

LCT General Manager, Ms Paris Brooke, presented the keynote speech at the BioMelbourne Network CEO Forum Series luncheon in conjunction with Mr Ray Wood, Managing Director of Cell Therapies. Ms Brooke outlined the developments in the cell therapy industry, both in Australia and abroad, for the 35 CEO's and company directors in attendance.

below: Ray Wood, Paris Brooke and Paul Tan at the CEO Forum



above: Dr Steve Skinner

Huntington's Disease Research Symposium

The Huntington's Disease Research Symposium is held every year by the Australian Huntington's Disease Association (Victoria) and brings together researchers, clinicians, ethicists, carers and people with Huntington's disease. Three LCT members attended the symposium this year, to share information on new developments in the area.

"The symposium provided important links for LCT to join into the Huntington's community. Meeting with clinicians and patients is important for our trial design and product development," said Dr Paul Tan, Managing Director, LCT NZ.

LCT's senior scientist, Dr Steve Skinner, received positive feedback to his presentation on results and developments for LCT's NeurotrophinCell product. NeurotrophinCell is currently being prepared for approval to conduct clinical trials in Huntington's disease.

right: LCT Auckland Island pigs

Events

LCT has recently presented at:

BioMelbourne CEO Forum Series Lunch

Advances in Cell Therapy and the Future of Medicine

October 2005

AusBiotech 2005

Business Partnering & Investment Forum

November 2005

Huntington's Disease Research Symposium 2005

November 2005

Diary Date

LCT Special General Meeting

Friday 24 February 2006

2.45pm (AEST)

NSW Trade & Investment Centre

Country Embassy

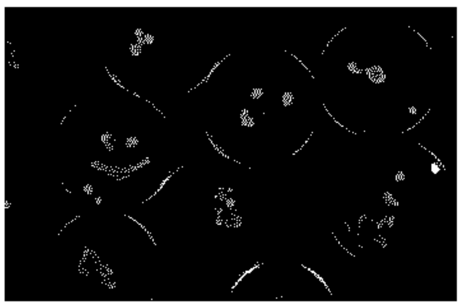
Level 44

Grosvenor Place

225 George St

Sydney, New South Wales

LCT will hold a General Meeting on 24 February 2006 to obtain shareholder approval for the issue of shares in a further placement to US and European investors.



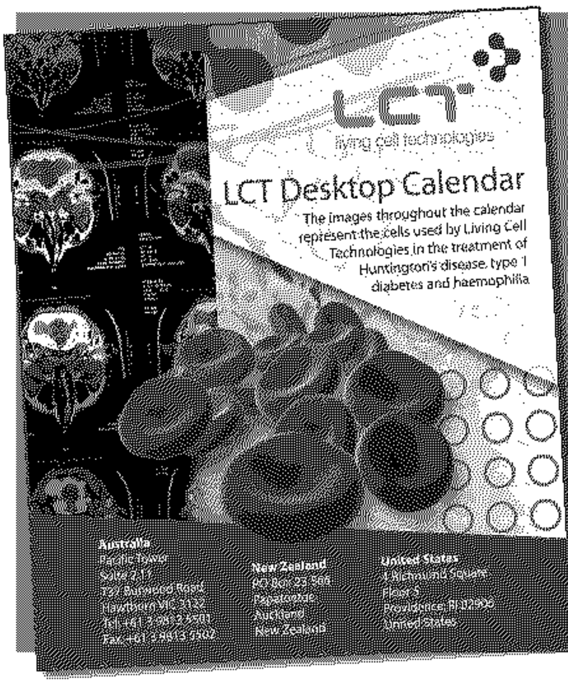
Investigating ALS

There are different types of motor neuron disease, but one of the most common is amyotrophic lateral sclerosis (ALS). The disease strikes in middle age and sufferers have an average life span of two to five years after diagnosis. Symptoms may include difficulty swallowing, limb weakness, slurred speech, facial weakness and muscle cramps. Scientists from the Howard Florey Institute (Florey) in Melbourne are undertaking research in an attempt to better understand this disease, which currently has no cure.

In a new partnership with LCT, the Integrative Neuroscience Facility (INF) is using Florey expertise in assessing potential new therapies. The INF undertakes specialised testing for brain disorder research and preclinical drug testing. Since 2004, the INF has provided behavioural and anatomical assessments of animal models of disease for scientists from the Florey, other institutes, and biotech companies.

The INF project for LCT will assess the efficacy of the company's cell-based technology in the treatment of ALS. The project is using a rat model that closely mimics the features of the human disease. This bench to bedside partnership builds on the efforts of both organisations in developing new treatments for brain disorders.

below: LCT Chairman Mr Mick Yates speaking at the LCT AGM in November



Living Cell Technologies has put together an investor desktop calender for 2006.

If you would like to receive a complimentary calender, please email Peter De Luca - **pdeluca@lctglobal.com**

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