Living Cell Technologies Ltd
Suite 2.11 / 737 Burwood Rd
Hawthorn VIC 3122
ABN: 14 104 028 042

Capital Raising Update and 4C Quarterly Cash Flow Report

ASX Announcement - 31 October 2006

Attached is the Appendix 4C – Quarterly Cash Flow Report – for Living Cell Technologies (ASX:LCT) for the quarter ended 30 September 2006.

The cash balance at the end of the quarter was $2,070,462 compared to $2,956,379 at the end of the quarter to 30 June 2006. The company expects to boost its cash reserves through a capital raising of at least US$6m from US investors in the present quarter, subject to shareholder approval, to propel the company into its clinical trial program.

Net operating cash flows in the September quarter were ($1,499,272) compared to ($1,712,544) in the June quarter. This represents a 12.5% reduction in overall spending, but at the same time the level of commitment to research and development expenditure increased by 12.0% ($828,110 this quarter, compared to $739,202 in the previous quarter). The savings in operating cash flows primarily resulting from cost reductions in general working capital expenditure, which fell from $1,015,003 in the June quarter, to $701,489 in the September quarter, a 30% saving.

LCT continues to advance its DiabeCell® product towards phase I/IIa clinical trials in 2007. During the past quarter, LCT submitted a regulatory application to the NZ regulator MedSafe.

LCT's focus is on cell transplant therapies. The lead DiabeCell® product, alginate micro-encapsulated porcine islets for the treatment of type 1 diabetes, fits firmly within the stated strategic objectives of both the National Institutes of Health (NIH) and Juvenile Diabetes Research Fund (JDRF).

The recently released NIH strategic plan to help guide research into type 1 diabetes for the next decade specifically identified the issues that need to be resolved for cell replacement therapies, including cell scarcity and the need to overcome the use of immuno-suppression.

Continually monitored to be free of porcine viruses and pathogenic bacteria, LCT's pig herd and encapsulation technology together provide a universal donor source of encapsulated cells that may be used without long-term immuno-suppression.

<u>Invitation to attend AGM: Friday 24 November 2006</u>

The LCT Annual General Meeting will be held on Friday 24 November at 12 noon in the Hamilton Room at the NSW Trade and Investment Centre (Level 47, MLC Centre, 19 Martin Place, Sydney).

Further information:	
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About Living Cell Technologies: www.lctglobal.com

Living Cell Technologies Ltd (ASX: LCT) is an ASX listed company operating through offices in Australia, New Zealand and the United States. LCT focuses on the injection of healthy living cells to replace, repair, or regenerate diseased or damaged tissues, which does not require the use of toxic drugs to prevent rejection.

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Living Cell Technologies Limited

ABN	Quarter ended ("current quarter")
14 104 028 042	30 September 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter $A	Year to date (..3..months) $A
1.1	Receipts from customers	225	225
1.2	Payments for (a) staff costs	(128,690)	(128,690)
	(b) advertising and marketing	(7,355)	(7,355)
	(c) research and development	(828,110)	(828,110)
	(d) leased assets	0	0
	(e) other working capital	(701,489)	(701,489)
1.3	Dividends received	394	394
1.4	Interest and other items of a similar nature received	27,439	27,439
1.5	Interest and other costs of finance paid	0	0
1.6	Income taxes paid	0	0
1.7	Other (Government Grants)	138,314	138,314
	Net operating cash flows	**(1,499,272)**	**(1,499,272)**

+ See chapter 19 for defined terms.

		Current quarter $A	Year to date (..3..months) $A
1.8	**Net operating cash flows (carried forward)**	**(1,499,272)**	**(1,499,272)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets	(50,207)	(50,207)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets		
1.11	Loans to other entities		
1.12	Loans repaid by other entities		
1.13	Other (provide details if material)		
	Net investing cash flows	**(50,207)**	**(50,207)**
1.14	**Total operating and investing cash flows**	**(1,549,479)**	**(1,549,479)**
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	670,123	670,123
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings	0	0
1.18	Repayment of borrowings	0	0
1.19	Dividends paid		
1.20	Other (payment of share capital raising costs)	(6,561)	(6,561)
	Net financing cash flows	**663,562**	**663,562**
	Net increase (decrease) in cash held	**885,917**	**885,917**
1.21	Cash at beginning of quarter/year to date	2,956,379	2,956,379
1.22	Exchange rate adjustments to item 1.20		
1.23	**Cash at end of quarter**	**2,070,462**	**2,070,462**

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A
1.24	Aggregate amount of payments to the parties included in item 1.2	189,564
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

New Zealand executive directors' salaries & fees (2) $88,343
US executive director's salary $71,221
Australian directors' fees (2) $30,000

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A	Amount used $A
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A	Previous quarter $A
4.1	Cash on hand and at bank	1,897,344	2,558,034
4.2	Deposits at call	173,118	171,220
4.3	Bank overdraft		
4.4	Other (provide details)		
	Total: cash at end of quarter (item 1.23)	**2,070,462**	**2,729,254**

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity		
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does /does not* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Original Signed Date: 31 October 2006
(Company secretary)

Print name: N J V Geddes

Notes

+ See chapter 19 for defined terms.

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.