

Living Cell Technologies Ltd

Suite 2.11 / 737 Burwood Rd

Hawthorn VIC 3122

ABN: 14 104 028 042

**Quarterly Cash Flow Report Period Ended 31 December 2006***ASX Announcement - 31 January 2007*

Attached is the Appendix 4C – Quarterly Cash Flow Report – for Living Cell Technologies (ASX:LCT) for the quarter ended 31 December 2006.

The cash balance at the end of the quarter was \$896,334 compared to \$2,070,462 at the end of the quarter to 30 September 2006.

A placement of ordinary shares announced on 27th December 2006 boosted cash reserves by \$800,000 early in January 2007. The Australian share broking firm Taylor Collison agreed to lead the placement at 17.5 cents per share with Australasian based sophisticated investors, in order for the company to take advantage of its accelerated clinical program.

LCT also established a share purchase plan, announced on 29 December 2006 to advance its DiabeCell[®] clinical trial program, where each eligible shareholder who holds shares in LCT may purchase up to \$5,000 worth of new fully paid ordinary shares, regardless of the number of LCT shares they currently hold. The offer will remain open until 5 February 2007.

Net operating cash flows for the quarter to 31 December 2006 amounted to \$1,132,493, down from \$1,499,272 in preceding quarter to 30 September 2006, a reduction of \$366,779 or a 24% saving in expenditure. The savings in operational cash flows was primarily achieved through further cost control measures and resultant reductions in general working capital expenditure, which reduced from \$701,489 in the preceding quarter to \$441,135 in the December quarter, a reduction of \$260,354 or 37%.

Despite this overall reduction in operating expenditure, the company was able to maintain an increased level of research and development, with this expenditure amounting to \$956,181 this quarter, compared to \$828,110 in the previous quarter, being an increase of \$128,071, or 15%. The additional spend on research and development activities was able to be funded due to increased levels of government grants received, which totaled \$385,466 in the quarter, compared to \$138,314 in the preceding quarter, an increase in the level of funding received of \$138,314.

LCT continues to focus activities on starting human clinical trials in 2007. The company recently announced its DiabeCell[®] Type 1 diabetes treatment has been approved for a Phase I/IIA clinical trial in Russia designed according to FDA guidelines. The trial may enable expedited commercialisation of the DiabeCell product.

The past quarter has also seen LCT receive a licence from the New Zealand Government to manufacture a novel animal cell product for humans under Good Manufacturing Practice (GMP). LCT is awaiting an outcome from MedSafe to conduct an additional clinical trial in 2007.

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

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Living Cell Technologies Ltd (ASX: LCT) develops live cell therapy products to treat life threatening human diseases. The ASX listed, vertically integrated company focuses on developing treatments where healthy living cells are injected into patients to replace or repair damaged tissue, without requiring the use of toxic drugs to prevent rejection. The company's product portfolio focuses on treatments for people with insulin-dependent diabetes and neurological disorders. The company owns a specialised biocertified pig herd for a safe, reliable source of cells for treatment.

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

14 104 028 042

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (..6.. months) \$A
1.1 Receipts from customers	239	464
1.2 Payments for		
(a) staff costs	(134,853)	(263,543)
(b) advertising and marketing	0	(7,355)
(c) research and development	(956,181)	(1,784,291)
(d) leased assets	0	0
(e) other working capital	(441,135)	(1,142,624)
1.3 Dividends received	8	402
1.4 Interest and other items of a similar nature received	14,101	41,540
1.5 Interest and other costs of finance paid	(138)	(138)
1.6 Income taxes paid	0	0
1.7 Other (Government Grants)	385,466	523,780
Net operating cash flows	(1,132,493)	(2,631,765)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A	Year to date (..6.. months) \$A
1.8 Net operating cash flows (carried forward)	(1,132,493)	(2,631,765)
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	(66,245)	(116,452)
(e) other non-current assets		
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)		
	(66,245)	(116,452)
Net investing cash flows		
1.14 Total operating and investing cash flows	(1,198,738)	(2,748,217)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	24,610	694,733
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (payment of share capital raising costs)	0	(6,561)
	24,610	688,172
Net financing cash flows		
Net increase (decrease) in cash held	(1,174,128)	2,060,045
1.21 Cash at beginning of quarter/year to date	2,070,462	2,956,379
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	896,334	896,334

+ 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	184,520
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	<p><u>Explanation necessary for an understanding of the transactions</u></p> <p>New Zealand executive directors' salaries & fees (2) \$74,607 US executive director's salary \$83,032 Australian directors' fees (2) \$26,881</p>	

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.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

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	896,334	1,897,344
4.2 Deposits at call	0	173,118
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	896,334	2,070,462

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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 give a true and fair view of the matters disclosed.

Sign here:ORIGINAL SIGNED..... Date: 31 January 2007
 (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.