TISSUE THERAPIES

ASX ANNOUNCEMENT
31 July 2008

Appendix 4C Quarterly Report

Biomedical company, **Tissue Therapies Limited (ASX: TIS)** has released the additional commentary below, in support of the Appendix 4C report attached, for the period 1 April to 30 June 2008.

1. The cash expenditure of the Company of $818,200 for the quarter ended 30 June 2008 was as expected and consistent with expenditure forecasts.

2. This total cash expenditure included payments for inventory and raw materials ie. manufacturing of VitroGro® which comprised $210,400. This VitroGro® inventory is to be used for:

   - the clinical trial to test the performance of VitroGro® in healing venous ulcers in Perth, Australia. Approval for the trial has been received and it is expected that patient treatment will begin during August 2008, as previously announced (see **ASX: TIS Announcement, 9 July. 2008**).

   - approval is pending for a clinical trial to test VitroGro® in healing diabetic, venous and pressure ulcers in Toronto, Canada, also as previously announced (see **ASX: TIS Announcement, 9 July. 2008**).

   - the Joint Development Agreement with Novozymes A/S

3. Payments for most of the VitroGro® manufacturing (raw materials inventory) necessary for clinical trial and other uses have now been made. As these costs continue to wind down, as has been the case over the last 3 quarters, it is currently anticipated that payments for the next quarter, July - September (2008) will be less than those of the April – June 2008 quarter.

4. A total of 3 Convertible Note facilities of $500,000 each were negotiated on favourable terms to Tissue Therapies, as summarised in the last Appendix 4C Quarterly report for the period January – March 2008. Drawdown of these three convertible notes totalling $1,500,000 was completed during the period April – June 2008, as shown in Section 3.1 of the attached Appendix 4C.

The cash position of the Company and further fund raising options are under constant review by the Board, as demonstrated by the prudent additional raisings undertaken by the Company since listing, including the negotiation of the 3 Convertible Note facilities cited in paragraph 4 above. The company has also now proceeded to a Share Purchase Plan offer (see **ASX: TIS Announcements 21 July 2008**.

The SPP offer has a record date of 4 August 2008 (7:00pm Brisbane time), will open on 6 August 2008 and close at 4:00pm (Brisbane time) on 25 August 2008 (subject to variation in accordance with the Plan Rules).

Shares under the SPP will be issued at $0.08 per Share to raise up to a maximum of approximately $743,475 (Listing Rule 7.2, exception 7), contingent upon the level of participation by eligible shareholders.

Additional funding from the Share Purchase Plan will be used for working capital, particularly to commence planned clinical trials, continue planned product development and related research and development, and continue to strengthen the Company's worldwide intellectual property position by progressing the examination process for the expanded VitroGro® family of patents, including in the territories of the United States, European Union, Canada, Japan, South Korea, Hong Kong, China, India, South Africa, Australia and New Zealand.

It is also the Directors current intention to make placements to sophisticated shareholder investors at the SPP issue price in conjunction with the conclusion of the SPP offering.

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About Tissue Therapies Limited

Tissue Therapies Limited is an Australian company developing biomedical technologies for wound healing, tissue and various cell culture applications.

The Company has worldwide exclusive rights to commercialise VitroGro®, a platform technology developed by tissue engineering experts at the Institute for Health and Biomedical Innovation at Queensland University of Technology for enhancing cell growth and migration. VitroGro® has particular commercial applications in wound healing, tissue regeneration and cell culture.

Based on its VitroGro® platform technology, Tissue Therapies is developing more effective medical treatments for wounds and burns, integration of orthopaedic and medical implants, and other applications such as cosmeceuticals.

Tissue Therapies also provides cell culture reagents to enhance the growth of mammalian cells for emerging cell-based therapies, along with research and industrial cell culture markets internationally.

More information: **www.tissuetherapies.com**

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

TISSUE THERAPIES LIMITED

ABN	Quarter ended ("current quarter")
45 101 955 088	JUNE 2008

Consolidated statement of cash flows

Cash flows related to operating activities			Current quarter $A'000	Year to Date (12 months) $A'000
1.1	Receipts from customers			
1.2	Payments for	(a) staff costs	(48.3)	(194.5)
		(b) advertising and marketing		
		(c) research and development	(453.2)	(1,367.7)
		(d) leased assets		
		(e) other working capital	(164.8)	(645.6)
1.3	Dividends received			
1.4	Interest and other items of a similar nature received		4.0	66.4
1.5	Interest and other costs of finance paid		(0.4)	(2.3)
1.6	Income tax rebate received			383.0
1.6	Payment for raw materials inventory		(210.4)	(3,120.7)
1.7	Product sales		54.9	80.7
	Net operating cash flows		(818.2)	(4,800.7)

		Current quarter $A'000	Year to Date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	(818.2)	(4,800.7)
	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		(3.9)
	(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)		
	Net investing cash flows	-	(3.9)
1.14	**Total operating and investing cash flows**	(818.2)	(4,804.6)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	2,020.0
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings	1, 250.0	1,500.0
1.18	Repayment of borrowings		
1.19	Dividends paid		
1.20	Other- payment of share issue costs	-	(107.7)
	- research grants received		
	Net financing cash flows	1, 250.0	3,412.3
	Net increase (decrease) in cash held	431.8	(1,392.3)
1.21	Cash at beginning of quarter/year to date	87.8	1,911.9
1.22	Exchange rate adjustments to item 1.20		
1.23	**Cash at end of quarter**	519.6	519.6

+ 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'000
1.24	Aggregate amount of payments to the parties included in item 1.2	318.0
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Fees for research & development paid to Queensland University of Technology-($306.5)
Fees paid to Directors-($11.5)

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

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

Financing facilities available

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

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	1,500.0	1,500.0
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'000	Previous quarter $A'000
4.1 Cash on hand and at bank	-	-
4.2 Deposits at call	519.6	87.8
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	519.6	87.8

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 give a true and fair view of the matters disclosed.

Sign here: .... Date: 31.7.2008
(Company Secretary)

Print name: ..D.MCKENZIE..

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 107: Cash Flow Statements* apply to this report except for the paragraphs of the Standard set out below.

   - Aus 20.1 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 39 & 40 - itemised disclosure relating to acquisitions and disposals
   - 48 - disclosure of restrictions on use of cash

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.