

NOTICE OF ANNUAL GENERAL MEETING

Tissue Therapies Limited
ABN 45 101 955 088

Notice is given that the Annual General Meeting of Tissue Therapies Limited (**Company**) will be held at the office of McCullough Robertson, Level 11 Central Plaza Two, 66 Eagle Street, Brisbane, Queensland 4000 on Thursday, 27 November 2008 at 10.30am.

AGENDA

Ordinary Business

1. Financial Statements and Reports

To receive and consider the Company's financial statements and the reports of the directors and the auditor for the financial year ended 30 June 2008.

2. Directors' Remuneration Report

To consider and, if thought fit, to pass the following resolution in accordance with section 250R(2) of the Corporations Act:

*'That the section of the Directors' Report dealing with the remuneration of the Company's Directors, Company Secretary and Senior Executives (**Remuneration Report**) be adopted.'*

NB: This resolution shall be determined as if it were an ordinary (majority) resolution, but under section 250R(3) of the Corporations Act, the vote does not bind the Directors of the Company.

3. Re-election of Gregory Baynton

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That Gregory Baynton, who retires by rotation in accordance with Listing Rule 14.4 and Rule 16.1 of the Company's Constitution, and being eligible and having offered himself for re-election, be re-elected as a Director of the Company.'

NB: Information about Gregory Baynton appears in the Explanatory Memorandum accompanying this Notice of Meeting.

4. Re-election of David Gardiner

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That David Gardiner who retires in accordance with Listing Rule 14.4 and Rule 16.1 of the Company's Constitution, and being eligible, be re-elected as a Director of the Company.'

NB: Information about David Gardiner appears in the Explanatory Memorandum accompanying this Notice of Meeting.

Special Business

5. Ratification and Approval of Previous Allotment and Issue of Shares

To consider and, if thought fit, to pass the following ordinary resolution:

'That for the purposes of Listing Rule 7.4 and for all other purposes, the prior issue and allotment of 4,625,000 shares at an issue price of \$0.08 under a share placement made on 15 September 2008 be ratified.'

6. Approval of Issue of Convertible Note and Shares to Roger Clarke

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That for the purposes of Listing Rule 10.11 and for all other purposes, the Company approves and authorises the issue of a Convertible Note to Roger Clarke (or his nominee or nominees) pursuant to a Redeemable Convertible Note Deed, the terms of which are summarised in the Explanatory Memorandum accompanying this Notice of Meeting and further to approve the issue of a maximum of 5,865,950 ordinary shares if the Note is converted for scrip rather than repaid in cash.'

NB: if approval is obtained under Listing Rule 10.11, approval is not required under Listing Rule 7.1, as set out in the Explanatory Memorandum.

7. Approval of Issue of Convertible Notes and Shares to QUT

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That for the purposes of Listing Rule 7.1 and for all other purposes, the Company approves and authorises the issue of a Convertible Note to Queensland University of Technology (or its nominee) (QUT) pursuant to a Redeemable Convertible Note Deed, the terms of which are summarised in the Explanatory Memorandum accompanying this Notice of Meeting and further to approve the issue of a maximum of 5,862,810 ordinary shares if the Note is converted for scrip rather than repaid in cash.'

8. Approval of Issue of Convertible Notes and Shares to Asia Union Investments Pty Ltd

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That for the purposes of Listing Rule 7.1 and for all other purposes, the Company approves and authorises the issue of a Convertible Note to Asia Union Investments Pty Ltd (or its nominee) (Asia Union) pursuant to a Redeemable Convertible Note Deed, the terms of which are summarised in the Explanatory Memorandum accompanying this Notice of Meeting and further to approve the issue of a maximum of 5,907,067 ordinary shares if the Note is converted for scrip rather than repaid in cash.'

9. Approval of Issue of Shares for Consultancy Services

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That for the purposes of Listing Rule 7.1 and for all other purposes, the Company approves and authorises the issue of 77,000 ordinary shares at an issue price of \$0.08 per share to Mr Trevor Baldock (or his nominee) in part payment of consultancy services to be provided to Tissue Therapies pursuant to a Consultancy Agreement, the terms of which are summarised in the Explanatory Memorandum accompanying this Notice of Meeting.'

10. Issue of Options to Director

To consider and, if thought fit, pass the following ordinary resolution:

'That, pursuant to Listing Rule 10.14, and in accordance with the Company's Equity Option Plan, the members of the Company approve the granting of 500,000 performance based options for which Dr Steven Mercer who has volunteered to forgo a cash based incentive payment, in the manner outlined in the Explanatory Memorandum.'

NB: if approval is obtained under Listing Rule 10.14, approval is not required under Listing Rule 7.1 or Listing Rule 10.11, as set out in the Explanatory Memorandum.

DATED this 24th day of October 2008

By Order of the Board



Drummond McKenzie
Company Secretary

NOTES

- (a) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the enclosed proxy form.
- (d) A corporation may elect to appoint a representative, rather than appoint a proxy, in accordance with the *Corporations Act 2001* in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (e) The manner in which the Chairman intends to cast any undirected proxies given to him, ie proxies that do not specify the manner in which way the proxy is to be cast, is set out in the Proxy Form.
- (f) The Company has determined in accordance with Regulation 7.11.37 *Corporations Regulations 2001* that for the purpose of voting at the meeting or adjourned meeting, shares will be taken to be held by those persons recorded in the Company's register of members as at 7pm (Brisbane time) on Tuesday 25 November 2008.
- (g) If you have any queries on how to cast your votes then call (07) 3839 1482 during business hours.

VOTING EXCLUSION STATEMENTS

Under Listing Rule 14.11, Tissue Therapies will disregard any vote cast on:

- **Resolution 5** (Ratification and Approval of Previous Allotment and Issue of Securities) by any person, or an associate of any person, who participated in the placement described in item Resolution 5;
- **Resolutions 6** (Approval of Issue of Convertible Note and Shares to Mr Roger Clarke) by Mr Roger Clarke (being a director of the Company) and his associates;
- **Resolutions 7** (Approval of Issue of Convertible Note and Shares to QUT) by QUT and its associates;
- **Resolutions 8** (Approval of Issue of Convertible Note and Shares to Asia Union Investments Pty Ltd) by Asia Union Investments Pty Ltd and its associates;
- **Resolutions 10** (Approval of Issue of Options to Director) any director of the Company and their associates.

However, Tissue Therapies need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY MEMORANDUM

Tissue Therapies Limited
ABN 45 101 955 088

Ordinary business

1. Financial Statements and Reports

The Corporations Act 2001 requires that the report of the Directors, the Auditor's report and the financial statements be laid before the Annual General Meeting. In addition, the Company's Constitution provides for such reports and statements to be received and considered at the meeting. Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements. However, shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the meeting.

In addition to asking questions at the meeting, shareholders may address written questions to the Chairman about the management of the Company, or to the Company's Auditor which are relevant to:

- the content of the Auditor's Report to be considered at the meeting; or
- the conduct of the audit of the annual financial statements to be considered at the meeting.

Any written questions must be submitted to the Company Secretary before 31st October 2008 by email to info@tissuetherapies.com, fax to (07) 3839 1486 or by mail to GPO Box 1596, Brisbane, Queensland 4001.

2. Remuneration Report

The Corporations Act 2001 requires that the section of the Directors' Report dealing with the remuneration of Directors, the Company Secretary and up to 5 senior executives (**Remuneration Report**) be put to Shareholders for adoption by way of a non-binding vote.

The Remuneration Report may be found in the Annual Report.

Following consideration of the Remuneration Report, the Chairman will give shareholders a reasonable opportunity to ask questions about or to make comments upon, the Remuneration Report.

3. Re-election of Gregory Baynton

Rule 16.1 of the Company's Constitution, and in accordance with Listing Rule 14.4, provides for the retirement of one third of the directors from office at each annual general meeting which is consistent with the requirements of the Listing Rules.

In accordance with the constitution, Gregory Baynton retires as Director and offers himself for election as a new director at this Annual General Meeting.

Set out below is a brief bio for Gregory Baynton.

Gregory Baynton

Gregory Baynton is an executive director of the Company. Greg holds a Bachelor of Business, a Master of Economic Studies, a Master of Business Administration and a Post Graduate diploma in Applied Finance and Investment

Greg is a Director of Lodestone exploration Limited and PIPE Networks Limited. He is also a Director of three Australian biotechnology companies.

Directors' recommendation

The Directors (with Mr Gregory Baynton abstaining) recommend that you vote in favour of this resolution.

4. Re-election of David Gardiner

Rule 16.1 of the Company's Constitution, and in accordance with Listing Rule 14.4, provides for the retirement of one third of the directors from office at each annual general meeting which is consistent with the requirements of the Listing Rules.

In accordance with the constitution, David Gardiner retires as Director and offers himself for election as a new director at this Annual General Meeting.

Set out below is a brief bio for David Gardiner

David Gardiner

Professor David Gardiner is non-executive director of the Company and brings extensive legal and corporate governance expertise to the Company. Professor Gardiner was admitted as a Barrister-at-Law of the Supreme Court of New South Wales and the High Court of Australia over 30 years ago.

David is currently a Professor of Law, and Deputy Vice-Chancellor of QUT. He is a director of several R&D and commercialisation companies, including the biotechnology company Farmacule BioIndustries Pty Ltd.

Directors' recommendation

The Directors (with Mr David Gardiner abstaining) recommend that you vote in favour of this resolution.

5. Ratification of Previous Allotment and Issue of Shares

Resolution 5 seeks Shareholder ratification for 4,625,000 shares under a share placement made on 15 September 2008.

Listing Rule 7.4

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of the shares on issue at the commencement of that 12 month period.

The allotment and issue of Shares detailed in Resolution 5 did not exceed the 15% threshold. However, Listing Rule 7.4 provides that where a company ratifies an issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing that company's 15% capacity and enabling it to issue further securities up to that limit.

Resolution 5 proposes the ratification and approval of the allotment and issue of Shares for the purpose of satisfying the requirements of Listing Rule 7.4.

The information required to be provided to Shareholders to satisfy Listing Rule 7.4 is specified in Listing Rule 7.5.

In compliance with the information requirements of Listing Rule 7.5, members are advised of the following particulars in relation to the allotment and issue:

- (a) Date of allotment and issue of the Shares: 15 September 2008
- (b) Number of Shares allotted and issued: 4,625,000
- (c) Price at which Shares were allotted and issued: \$0.08
- (d) The Shares rank equally in all respects with the existing ordinary shares on issue
- (e) The Shares were issued to clients of ABN AMRO Morgans Limited on the basis of confirmed indications of interest among their institutional and sophisticated investor client bases
- (f) The allotment and issue was made to provide additional working capital for the ongoing clinical trials, research and development and marketing of the Company's products.

6. Approval of Issue of Convertible Note and Shares to Mr Roger Clarke

The Company proposes to issue a Convertible Note (**Note**) to Mr Roger Clarke (or his nominee) (**Noteholder**) under a Redeemable Convertible Loan Agreement (**Loan Agreement**) in return for a loan facility of \$500,000 for the Company from the Noteholder.

The Noteholder entered into the Loan Agreement the terms of which are conditional upon shareholder approval being obtained for the purpose of Listing Rule 10.11. If approval is obtained under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

At the same time, approval is sought for the purpose of Listing Rule 10.11 (in which case approval is not required under Listing Rule 7.1) for the issue of up to 5,865,950 ordinary shares (**Shares**) upon the Company or the Noteholder electing to convert the Note to Shares in lieu of cash in full satisfaction of the Loan Amount and any interest that has accrued on that amount to the time of conversion.

If approved, a Note will be issued to Mr Clarke (or his nominee) in respect of the \$500,000 in loan funds advanced to the Company on 14 March 2008. The terms of the Note, including the potential for the Note to be converted to Shares, are set out below.

If shareholder approval is not obtained for issue of the Note and subsequent issue of Shares, the Loan Agreement will be at an end and Tissue Therapies will not be entitled to draw down the loan funds from the Noteholder.

Listing Rule 10.11

Listing Rule 10.11 requires the approval of ordinary shareholders to issue securities to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained. A director is a 'related party' for the purposes of Listing Rule 10.11. Therefore Roger Clarke, who is a director of the Company, is a related party.

The directors are of the opinion, having had regard to the circumstances, the execution of the agreement to issue a Note to Roger Clarke under the Loan Agreement was conducted on arm's length and therefore exempt from the requirement for shareholder approval under the Corporations Act.

The following information is provided to members for the purpose of Listing Rule 10.13:

Maximum number of securities to be granted to a Noteholder:	One Note which is convertible for fully paid ordinary shares (calculated in the manner set out below). The maximum number of shares that may be issued, assuming they are not issued until 30 days after approval at the AGM and therefore subject to interest accruing over that period is, 5,865,950 Shares.
Date by which the securities will be issued to the Noteholder:	The Note will be issued upon shareholder approval being obtained, and the Shares will be issued subsequently (upon conversion of the Note) but not more than 1 month after the date of the meeting. Either Party may convert the Note to Shares in Tissue Therapies, under the terms specified in the Note.
Issue Price and terms of issue:	- The Note is issued for Nil consideration, enabling the Company to draw down \$500,000 in five \$100,000 tranches. - Interest will accrue against any amount drawn down and outstanding at a rate of 10% p.a. calculated daily, payable 3 months in arrears. - The Note must be repaid by 31 March 2009, if not repaid or converted earlier. - The Note can be converted to fully paid ordinary shares at any time upon written notice: (i) by the Noteholder to the Company, either in part or full; (ii) by the Company to the Noteholder, either in part or full, provided shareholder approval has been obtained and the Company provides the Noteholder with a statement of solvency. The number of Shares issued will be equivalent to the outstanding balance of the Loan Amount drawn down (plus interest) under the Note, at a per Share price equivalent to a 10% discount to the 10 day VWAP immediately prior to the conversion date which is defined as 30 June 2008. This price is \$0.0916 per Share. - The Shares will rank pari passu with all ordinary shares then on issue.
Intended use of funds:	To provide additional working capital for the ongoing clinical trials, research and development and marketing of the Company's products.
Other key terms	- The Note is unsecured. The Company agrees not to charge any of its assets in priority to the Note. - There is no redraw facility for monies that are drawn and repaid. The maximum amount that may be drawn down for the Note is \$500,000. - The Company does not intend to apply for quotation of the Note on ASX. The Company intends to apply to ASX for quotation of any Shares issued on conversion of the Note. - The Company may issue further debt securities ranking equally with

	but not in priority to the Note. • Subject to the Listing Rules, if there is a reorganisation of the Company, an adjustment will be made to the number of Shares the Noteholder is entitled to upon conversion. • The Note is transferable upon consent of the Company.
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General

In addition to the information provided above, the Company advises shareholders that the current issued capital in Tissue Therapies Limited is as follows:

Total number of shares on issue	44,891,572 ordinary shares
Total number of options on issue (full details set out below.)	2,020,000 options over ordinary shares
Option vesting date	Number under option
29 th January 2004	1,075,000
10 th March 2006	100,000
10 th March 2006	100,000
Granted on 10 th March 2006 and vest on achievement of milestones by CEO	40,000
29 th August 2007	205,000
Granted on 29 th November, 2007 and vest on achievement of milestones by CEO	400,000
29 th November, 2007	100,000

Director recommendation: The Directors (with Mr Roger Clarke abstaining) recommend that you vote in favour of this resolution.

7. Approval of Issue of Convertible Note and Shares to QUT

The Company proposes to issue a Convertible Note (**Note**) to Queensland University of Technology (or its nominee) (**QUT** or **Noteholder**) under a Redeemable Convertible Loan Agreement (**Loan Agreement**) in return for a loan facility of \$500,000 for the Company from QUT.

QUT entered into a Loan Agreement the terms of which are conditional upon shareholder approval being obtained for the purpose of Listing Rule 7.1.

At the same time, approval is sought for the purpose of Listing Rule 7.1 for the issue of up to 5,862,810 ordinary shares (**Shares**) to QUT upon the Company or the Noteholder electing to convert the Note to Shares in lieu of cash in full satisfaction of the Loan Amount and any interest that has accrued on that amount to the time of conversion.

If approved, a Note will be issued to each Noteholder (or its nominee) in respect of the \$500,000 in loan funds advanced to the Company on 16 May 2008. The terms of the Note, including the potential for the Note to be converted to Shares, are set out below.

If shareholder approval is not obtained for issue of the Note and subsequent issue of Shares, the Loan Agreement will be at an end and Tissue Therapies will not be entitled to the loan funds from the Noteholder and will be required to repay the funds.

Listing Rule 7.1

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of the shares on issue at the commencement of that 12 month period.

The issue of shares detailed in Resolution 7 will not exceed the 15% threshold. However, Tissue Therapies wishes to obtain approval to ensure the issue does not count toward its 15% limit for the purpose of Listing Rule 7.1, thereby replenishing the Company's 15% capacity and enabling it to issue further securities up to that limit in the future.

The information required to be provided to shareholders to satisfy Listing Rule 7.1 is specified in Listing Rule 7.3.

In compliance with the information requirements of Listing Rule 7.3, shareholders are advised of the following particulars in relation to the allotment and issue:

Maximum number of securities to be granted to a Noteholder:	One Note which is convertible for fully paid ordinary shares (calculated in the manner set out below). The maximum number of shares that may be issued, assuming they are not issued until 3 months after approval at the AGM and therefore subject to interest accruing over that period is, 5,862,810.
Date by which the securities will be issued to the Noteholder:	The Note will be issued upon shareholder approval being obtained, and the Shares will be issued subsequently (upon conversion of the Note) but not more than 3 months after the date of the meeting. Either Party may convert the Note to Shares in Tissue Therapies, under the terms specified in the Note.
Issue Price and terms of issue:	• The Note is issued for Nil consideration, enabling the Company to draw down \$500,000 in five \$100,000 tranches. • Interest will accrue against any amount drawn down and outstanding at a rate of 10% p.a. calculated daily, payable 3 months in arrears. • The Note must be repaid by 31 March 2009, if not repaid or converted earlier. • The Note can be converted to fully paid ordinary shares at any time upon written notice: (i) by the Noteholder to the Company, either in part or full; (ii) by the Company to the Noteholder, either in part or full, provided shareholder approval has been obtained and the Company provides the Noteholder with a statement of solvency. The number of Shares issued will be equivalent to the outstanding balance of the Loan Amount drawn down (plus interest) under the Note, at a per Share price equivalent to a 10% discount to the 10 day VWAP immediately prior to the conversion date which is defined as 30 June 2008. This price is \$0.0916. • The Shares will rank pari passu with all ordinary shares then on issue.
Intended use of funds:	To provide additional working capital for the ongoing clinical trials, research and development and marketing of the Company's products.
Other key terms	• The Note is unsecured. The Company agrees not to charge any of its assets in priority to the Note. • There is no redraw facility for monies that are drawn and repaid. The maximum amount that may be drawn down for the Note is \$500,000. • The Company does not intend to apply for quotation of the Note on ASX. The Company intends to apply to ASX for quotation of any Shares issued on conversion of the Note. • The Company may issue further debt securities ranking equally with but not in priority to the Note. • Subject to the Listing Rules, if there is a reorganisation of the Company, an adjustment will be made to the number of Shares the Noteholder is entitled to upon conversion. • The Note is transferable upon consent of the Company.

General

In addition to the information provided above, the Company advises shareholders that the current issued capital (excluding any issues that may be approved under this Notice of Meeting), in Tissue Therapies Limited is as set out in the table in Resolution 6.

Director recommendation: The Directors (with Mr David Gardiner, who is an associate of QUT, abstaining) recommend that you vote in favour of this resolution.

8. Approval of Issue of Convertible Note and Shares to Asia Union

The Company proposes to issue a Convertible Note (**Note**) to Asia Union Investments Pty Ltd (or its nominee) (**Asia Union** or **Noteholder**) under a Redeemable Convertible Loan Agreement (**Loan Agreement**) in return for a loan facility of \$500,000 for the Company from Asia Union.

QUT entered into a Loan Agreement the terms of which are conditional upon shareholder approval being obtained for the purpose of Listing Rule 7.1.

At the same time, approval is sought for the purpose of Listing Rule 7.1 for the issue of up to 5,907,067 ordinary shares (**Shares**) to QUT upon the Company or the Noteholder electing to convert the Note to Shares in lieu of cash in full satisfaction of the Loan Amount and any interest that has accrued on that amount to the time of conversion.

If approved, a Note will be issued to each Noteholder (or its nominee) in respect of the \$500,000 in loan funds advanced to the Company on 4 April 2008. The terms of the Note, including the potential for the Note to be converted to Shares, are set out below.

If shareholder approval is not obtained for issue of the Note and subsequent issue of Shares, the Loan Agreement will be at an end and Tissue Therapies will not be entitled to the loan funds from the Noteholder and will be required to repay the funds.

Listing Rule 7.1

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of the shares on issue at the commencement of that 12 month period.

The issue of shares detailed in Resolution 7 will not exceed the 15% threshold. However, Tissue Therapies wishes to obtain approval to ensure the issue does not count toward its 15% limit for the purpose of Listing Rule 7.1, thereby replenishing the Company's 15% capacity and enabling it to issue further securities up to that limit in the future.

The information required to be provided to shareholders to satisfy Listing Rule 7.1 is specified in Listing Rule 7.3.

In compliance with the information requirements of Listing Rule 7.3, shareholders are advised of the following particulars in relation to the allotment and issue:

Maximum number of securities to be granted to a Noteholder:	One Note which is convertible for fully paid ordinary shares (calculated in the manner set out below). The maximum number of shares that may be issued, assuming they are not issued until 3 months after approval at the AGM and therefore subject to interest accruing over that period is, 5,907,067.
Date by which the securities will be issued to the Noteholder:	The Note will be issued upon shareholder approval being obtained, and the Shares will be issued subsequently (upon conversion of the Note) but not more than 3 months after the date of the meeting. Either Party may convert the Note to Shares in Tissue Therapies, under the terms specified in the Note.
Issue Price and terms of issue:	• The Note is issued for Nil consideration, enabling the Company to draw down \$500,000 in five \$100,000 tranches. • Interest will accrue against any amount drawn down and outstanding at a rate of 10% p.a. calculated daily, payable 3 months in arrears. • The Note must be repaid by 31 March 2009, if not repaid or converted earlier. • The Note can be converted to fully paid ordinary shares at any time upon written notice: (i) by the Noteholder to the Company, either in part or full;

	(ii) by the Company to the Noteholder, either in part or full, provided shareholder approval has been obtained and the Company provides the Noteholder with a statement of solvency. The number of Shares issued will be equivalent to the outstanding balance of the Loan Amount drawn down (plus interest) under the Note, at a per Share price equivalent to a 10% discount to the 10 day VWAP immediately prior to the conversion date which is defined as 30 June 2008. This price is \$0.0916. • The Shares will rank pari passu with all ordinary shares then on issue.
Intended use of funds:	To provide additional working capital for the ongoing clinical trials, research and development and marketing of the Company's products.
Other key terms	• The Note is unsecured. The Company agrees not to charge any of its assets in priority to the Note. • There is no redraw facility for monies that are drawn and repaid. The maximum amount that may be drawn down for the Note is \$500,000. • The Company does not intend to apply for quotation of the Note on ASX. The Company intends to apply to ASX for quotation of any Shares issued on conversion of the Note. • The Company may issue further debt securities ranking equally with but not in priority to the Note. • Subject to the Listing Rules, if there is a reorganisation of the Company, an adjustment will be made to the number of Shares the Noteholder is entitled to upon conversion. • The Note is transferable upon consent of the Company.

General

In addition to the information provided above, the Company advises shareholders that the current issued capital (excluding any issues that may be approved under this Notice of Meeting), in Tissue Therapies Limited is as set out in the table in Resolution 6.

Director recommendation: The Directors recommend that you vote in favour of this resolution.

9. Approval of Issue of Shares for Consultancy Services

Resolution 9 seeks Shareholder approval to issue 77,000 shares to Mr Trevor Baldock (or his nominee) under a Consultancy Agreement made on 24 July 2008 (**Consultancy Agreement**), for the purpose of Listing Rule 7.1.

Listing Rule 7.1

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of the shares on issue at the commencement of that 12 month period.

The issue of shares detailed in Resolution 9 will not exceed the 15% threshold. However, Tissue Therapies wishes to obtain approval to ensure the issue does not count toward its 15% limit for the purpose of Listing Rule 7.1, thereby replenishing the Company's 15% capacity and enabling it to issue further securities up to that limit in the future.

The information required to be provided to shareholders to satisfy Listing Rule 7.1 is specified in Listing Rule 7.3.

In compliance with the information requirements of Listing Rule 7.3, shareholders are advised of the following particulars in relation to the allotment and issue:

- (a) Date on which shares will be issued: not later than 3 months following approval
- (b) Number of shares to be issued: 77,000
- (c) Deemed price at which shares will be issued: \$0.08 per share
- (d) The shares rank equally in all respects with the existing ordinary shares on issue
- (e) The shares will be issued to Mr Trevor Baldock's nominee, Mr Lionel Baldock
- (f) No funds will be raised from the issue of the shares. Rather they will be issued in part payment of consultancy services provided to Tissue Therapies by Mr Trevor Baldock pursuant to a Consultancy Agreement.

With respect to (c) above, the deemed issue price was determined by the Company having regard to the highest and lowest trading prices over the 3 months prior to the date of this notice, which are set out below:

- the highest price, being \$0.135 per Share, occurred on 5th September 2008; and
- the lowest price, being \$0.08 per Share, occurred on 16th September 2008.

Consultancy Agreement

The Consultancy Agreement sets out the terms on which Mr Trevor Baldock is to provide consultancy services to Tissue Therapies, which include:

- (a) identification, contact and presentations to potential investors in but not limited to London, Paris, Geneva, Zurich, Munich, Frankfurt, Brussels and Boston
- (b) to arrange and travel to meetings with potential investors, to accompany executives of Tissue Therapies Limited

General

In addition to the information provided above, the Company advises shareholders that the current issued capital (excluding any issues that may be approved under this Notice of Meeting), in Tissue Therapies Limited is as set out in the table in Resolution 6.

Director recommendation: The Directors recommend that you vote in favour of this resolution.

10. Issue of Options to Director

The Company proposes to issue options to Dr Steven Mercer under the Equity Option Plan (which was last approved at the 2007 AGM) which will be subject to the satisfaction of certain performance milestones as outlined below.

The options which the Company proposes to issue to Dr Steven Mercer, Executive Director and Chief executive Officer are in lieu of a cash bonus specified in Dr Mercer's contract of employment and are structured so they will only vest as and when predetermined milestones have been met by the Company and shareholder value is added to the Company.

Once approval is obtained pursuant to Listing Rule 10.14, Tissue Therapies is entitled to rely on Listing Rule 10.12, Exception 4 as an exception to any requirement that may otherwise apply requiring shareholder approval under Listing Rule 10.11. Similarly, approval will not be required under Listing Rule 7.1.

Approval is sought for the grant of the following options as contained in the table below:

A. 500,000 performance based Options to Dr Steven Mercer, Executive Director and Chief executive Officer, with each relevant tranche of Options vesting upon the achievement of each Key Performance Milestone (as listed below):

Key Performance Milestone	No. of Options	Target
Complete Strategic Investment Deal	150,000	31 March 2009
Health Canada Clinical Trial Approval	50,000	31 March 2009
Start Canadian Clinical Trial	25,000	1 st patient treated within 2 months of Health Canada approval
Complete Perth Clinical Trial	25,000	within 6 months of 1st patient treatment
Complete Canadian Clinical Trial	25,000	within 4 months of 1st patient treatment
Complete 1st Chimeric Manufacturing	25,000	within 12 months of Board approval of

	<i>expression system & manufacturer</i>
<i>Start Chimeric Clinical Trial</i>	<i>25,000 1st patient treated within 2 months of health regulator approval</i>
<i>Complete Chimeric Clinical Trial</i>	<i>25,000 within 4 months of 1st patient treatment</i>
<i>Formal Wound Dressings Deal</i>	<i>150,000 within 12 months of 1st patient starting Toronto or similar size trial</i>
<i>Total (if all Key Performance Milestones achieved)</i>	<i>500,000</i>

- Options are non-transferable;
- Options will vest in their relevant tranches on the achievement of each of the respective Key Performance Milestones, and all Incentive Options will vest immediately, in the event that a third party acquires a controlling stake in Tissue Therapies or if the Directors recommend acceptance of a takeover bid for the Company;
- The exercise price of all Options listed above will be 15 cents;
- The Options will expire on the second anniversary of the date of their issue ;
- It is intended that the Options will be issued within 5 days after the Annual General Meeting, but in any event will be issued no later than 12 months after the meeting;
If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, the rights of each holder of options issued will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation;
All shares issued pursuant to the exercise of options will, subject to the Constitution of the Company, rank in all respects (other than in respect of dividends, rights issues or bonus issues declared prior to allotment) pari passu with the existing Shares at the date of issue and allotment; and
- The options will not be quoted on ASX. Tissue Therapies intends to apply to ASX for quotation of any Shares acquired on exercise of the options.

Directors potentially eligible to participate in the ESOP include Messrs Roger Clarke, Steven Mercer, Gregory Baynton, David Gardiner and Donald Home.

Previously the following parties have received options under the Equity Option Plan:

- Roger Clarke - 150,000 options;
- Steven Mercer – 500,000 options upon commencement (260,000 lapsed, 240,000 on issue), 300,000 previous milestone options (260,000 lapsed, 40,000 on issue), 400, 000 milestone options approved by shareholders at the November, 2007 AGM;
- Gregory Baynton – 600,000 options (via Orbit Capital);
- David Gardiner – 100,000 options (beneficially held by QUT);
- Donald Home- 100,000 options;
- Neil Reinhardt (retired director) – 100,000 options.

Additional details are available in the Annual Report for the year ended 30 June 2008.

- if there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, the rights of each holder of options issued will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation;
- all shares issued pursuant to the exercise of options will, subject to the Constitution of the Company, rank in all respects (other than in respect of dividends, rights issues or bonus issues declared prior to allotment) pari passu with the existing Shares at the date of issue and allotment; and
- the options will not be quoted on ASX. Tissue Therapies intends to apply to ASX for quotation of any Shares acquired on exercise of the options.

General Information

Consistent with the accounting standards, the Company discloses the following information concerning the value of the options to be issued to the Director. A fair value for the options to be issued has been calculated using the Black Scholes methodology and based on a number of assumptions, set out below, with an adjustment to the expected life of the option to take account of limitations on transferability. The Board believes this valuation model to be appropriate to the circumstances and has not used any other valuation or other models in proposing the terms of the options.

The Board draws shareholders' attention to the fact the stated valuation does not constitute and should not be taken as audited financial information. The reportable value of the employee benefit expense in subsequent financial periods may vary due to a range of timing and other factors. In particular, the figures were calculated effective as at 17 October 2008.

Underlying price	10.05c
Volatility	60%
Dividend Yield (estimate)	Nil
Expiry Date	31 March 2011
Exercise (strike) price	15.00c
Risk free rate	4.55%
Option Value	1.79c
Number of options issued	Aggregate if all milestones achieved
Employee expense benefit	\$8,950

Remuneration

The following table sets out fees received by Steven Mercer for the year ended 30 June 2008:

Director	Steven Mercer
Annual Director's fees (inclusive of superannuation where applicable)	-
Base annual salary (inclusive of superannuation where applicable)	\$191,279
Equity based compensation (12 months to 30 June 2008)	\$28,197

Existing interests and the dilutionary effect on other members interests

The effect that the exercise of the options will have on the interests of Dr Mercer relative to other members' interests is set out in the following table. The table assumes no further issues of shares in, or reconstruction of the capital of the Company during the time between issue and exercise of the option.

Dr Steven Mercer (As at the date of this Notice of Meeting)	
The total number of shares on issue in the capital of the Company	44,891,572 ordinary shares in Tissue Therapies Limited
Shares currently held by Steven Mercer, Director (including indirect interests)	200,500 ordinary shares in Tissue Therapies Limited
% of shares currently held by Director	0.45% of the ordinary shares in Tissue Therapies Limited
Options held by Director prior to Annual General Meeting (including indirect interests)	640,000 options

Options to be issued under this resolution to Director following Annual General Meeting	500,000 options
Shares that would be held following the exercise of all Options held by Director	1,340,500 ordinary shares in Tissue Therapies Limited
% of Shares that would be held by Director assuming no other Options held by other parties were exercised	2.99% of the ordinary shares in Tissue Therapies Limited
% of Shares that would be held by Director assuming all other Options held by other parties were exercised (fully diluted basis)	2.90% of the ordinary shares in Tissue Therapies Limited

General

In addition to the information provided above, the Company advises shareholders that the current issued capital (excluding any issues that may be approved under this Notice of Meeting), in Tissue Therapies Limited is as set out in the table in Resolution 6.

Directors' recommendation

The Directors (with Dr Steven Mercer abstaining) recommend that you vote in favour of this resolution.



TISSUE THERAPIES

ABN 45 101 955 088

APPOINTMENT OF PROXY

If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.

Please return your Proxy forms to:

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Locked Bag A14, Sydney South NSW 1235 Australia
Telephone: (02) 8280 7454
Facsimile: (02) 9287 0309
ASX Code: TIS
Website: www.linkmarketservices.com.au



X999999999999

I/We being a member(s) of Tissue Therapies Limited and entitled to attend and vote hereby appoint

A the **Chairman of the Meeting** (mark box)

☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 10:30am on Thursday, 27 November 2008, at McCullough Robertson, Level 11 Central Plaza Two, 66 Eagle Street, Brisbane, Queensland 4000 and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

B To direct your proxy how to vote on any resolution please insert **X** in the appropriate box below.

Resolution 2

Directors' Remuneration Report

For	Against	Abstain*
☐	☐	☐

Resolution 7

Approval of Issue of Convertible Notes and Shares to QUT

For	Against	Abstain*
☐	☐	☐

Resolution 3

Re-election of Gregory Baynton

For	Against	Abstain*
☐	☐	☐

Resolution 8

Approval of Issue of Convertible Notes and Shares to Asia Union Investments Pty Ltd

For	Against	Abstain*
☐	☐	☐

Resolution 4

Re-election of David Gardiner

For	Against	Abstain*
☐	☐	☐

Resolution 9

Approval of Issue of Shares for Consultancy Services

For	Against	Abstain*
☐	☐	☐

Resolution 5

Ratification and Approval of Previous Allotment and Issue of Shares

For	Against	Abstain*
☐	☐	☐

Resolution 10

Issue of Options to Director

For	Against	Abstain*
☐	☐	☐

Resolution 6

Approval of Issue of Convertible Note and Shares to Roger Clarke

For	Against	Abstain*
☐	☐	☐

IMPORTANT: FOR ITEM 6 ABOVE

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of Item 6 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that Item and that votes cast by him/her for that Item, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 6 and your votes will not be counted in calculating the required majority if a poll is called on this Item.

The Chairman of the Meeting intends to vote undirected proxies in favour of Item 6.

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

D

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the *Corporations Act 2001* (Cwlth).

TIS PRX842



How to complete this Proxy Form

1 Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

3 Votes on Items of Business

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:30am on Tuesday, 25 November 2008, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the reply paid envelope or:

- by posting or facsimile to Tissue Therapies Limited's share registry as follows:
Tissue Therapies Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Facsimile: (02) 9287 0309
- delivering it to Level 12, 680 George Street, Sydney NSW 2000.