ASX RELEASE
27 February 2013

Letter to eligible shareholders - Tissue Therapies Limited (ASX Code: TIS)

Dear Shareholder

Entitlement Offer – notice to eligible shareholders

Tissue Therapies Limited (**Tissue**) today announced a A$4.5 million equity raising through a 1 for 10 non-renounceable entitlement offer of fully paid ordinary shares in Tissue (**New Shares**)(**Entitlement Offer**).

The Entitlement Offer will allow Tissue to proceed with:

- preparation for and execution of an accelerated sales launch program within the UK and Europe as well as internationally. The sales launch in the UK and Europe is planned to start immediately after CE Mark is granted. CE Mark is now expected during 2nd half of 2013;
- two health economic impact and reimbursement studies, one in the UK and one in Germany. These studies will be used to build on the impressive health economic and cost saving data already developed, to maximise market access in the EU as well as internationally;
- completion and submission of US FDA applications to conduct two clinical trials required for approval for sale of VitroGro® ECM in the USA. Approval to conduct these two pivotal clinical trials is expected during 4th quarter of 2013; and
- further manufacturing validation data required for FDA approval for sales in the USA.

The Entitlement Offer has been fully underwritten by RBS Morgans Corporate Limited and Bell Potter Securities Limited (**Underwriters**).

Summary of key terms of the Entitlement Offer

Under the Entitlement Offer, Eligible Shareholders (defined below) will be invited to subscribe for 1 New Share for every 10 existing ordinary shares in Tissue held at 7.00pm (AEDT) on Thursday, 7 March 2013 (**Record Date**) at an offer price of $0.21 per New Share (**Entitlement**).

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Level 19, 179 Turbot Street, Brisbane QLD 4000 Australia
GPO Box 1596, Brisbane QLD 4001
telephone +61 7 3334 3900 facsimile +61 7 3334 3999

Eligibility of shareholders to participate in the Entitlement Offer

You are being sent this letter because Tissue believes you are an Eligible Shareholder. An Eligible Shareholder means a holder of Tissue Shares at 7.00pm (AEDT) on the Record Date who:

- has a registered address in Australia or New Zealand or is a Shareholder that Tissue has otherwise determined is eligible to participate;
- is not in the United States and is not a nominee, custodian or other person acting for the account or benefit of a person in the United States; and
- is eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus to be lodged or registered.

The Entitlement Offer is being made by Tissue without a disclosure document or product disclosure statement in accordance with section 708AA of the *Corporations Act 2001* (Cth) (as notionally modified by ASIC Class Order 08/35).

Ineligible shareholders

If you are not an Eligible Shareholder you cannot participate in the Entitlement Offer. Tissue will notify those shareholders who are not Eligible Shareholders.

Further details about the Entitlement Offer

Eligible Shareholders who take up their full Entitlement, may subscribe for additional New Shares from a pool of those not taken up by Eligible Shareholders as at the closing date of the Entitlement Offer (**Top Up Facility**). There is no guarantee that applicants under the Top Up Facility will receive the number of New Shares applied for under the Top Up Facility, or any. The Directors reserve the right to allot and issue New Shares under the Top Up Facility at their discretion.

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on the ASX, nor can they be transferred or otherwise disposed of.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares and holdings on different registers or sub-registers will not be aggregated to calculate Entitlements.

Shareholder approval is not required for Tissue to make the offer under the Entitlement Offer.

Information Booklet

On 12 March 2013, you will be sent an information booklet and personalised Entitlement and acceptance form which contains important information about the Entitlement Offer and sets out the number of New Shares you are entitled to purchase under the Entitlement Offer. A copy of the information booklet is also available on the ASX website at www.asx.com.au and Tissue's website at www.tissuetherapies.com.

Key dates

Tissue expects the Entitlement Offer to be conducted according to the following timetable:

Activity	Date
Announcement of the Entitlement Offer	27 February 2013
Mailing of the Entitlement Offer details	27 February 2013
Ex date	1 March 2013
Record Date for Entitlement Offer (7.00pm (AEDT))	7 March 2013
Information Booklet and Entitlement & Acceptance Form despatched	12 March 2013
Entitlement Offer opens	12 March 2013
Closing date for acceptances under Entitlement Offer (5.00pm (AEDT))	26 March 2013
New Shares quoted on deferred settlement basis	27 March 2013
Company notifies ASX of under subscriptions	2 April 2013
Despatch of holding statements for New Shares issued under the Entitlement Offer	4 April 2013
Normal ASX trading for New Shares issued under the Entitlement Offer commences	5 April 2013

This Timetable is indicative only. The Directors may vary these dates, in consultation with the underwriters, subject to the Listing Rules. An extension of the closing date will delay the anticipated date for issue of the New Shares.

The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time prior to allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants.

Capital structure

The capital structure of Tissue following the issue of New Shares, assuming the maximum number of New Shares is issued under the Entitlement Offer, will be as follows:

Shares on issue as at 25 February 2012 (announcement of the placement and intention to conduct Entitlement Offer)	172,507,586
Shares issued under the placement	41,512,297
New Shares to be issued under the Entitlement Offer	21,401,989
Shares on issue after the placement and Entitlement Offer	235,421,872

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The New Shares will be fully paid and rank equally with existing Tissue Shares.

The Company has 1,090,000 existing options on issue, comprising:

Category	Number	Exercise Price	Lapse Date
Employees and contractors	950,000	59c	4 July 2014
Directors	140,000	64c	2 years from achievement of milestones by Dr Steven Mercer
Total options on issue	1,090,000		

None of the existing options may be exercised prior to the Record Date.

Further information

Should you have any queries in relation to the Entitlement Offer, please do not hesitate to contact the share registry on 1300 857 499 (within Australia) or +61 2 8280 7753 (outside Australia) at any time from 8.30am to 5.00pm (AEDT) Monday to Friday.

On behalf of the Directors, I thank you for your continued support of Tissue.

Yours sincerely

Steven Mercer
Managing Director
Tissue Therapies Limited

What is VitroGro® ECM

- VitroGro® ECM is a topically applied, biomimetic scaffold, comprising a synthetic extracellular matrix (ECM) protein.
- How it works: VitroGro® ECM replaces the degraded matrix of a hard to heal wound. VitroGro® ECM binds to a prepared wound bed and provides a physical structure (a scaffold) for cell attachment, which is a primary requirement for subsequent cell functions critical for healing, such as cell proliferation and migration [1].
- An optimal scaffold: One of the characteristics of hard to heal wounds is prolonged inflammation, which damages the native ECM that would normally guide the wound healing process [1,2,3,4]. Replacement of this damaged ECM is a beneficial strategy for treating hard to heal wounds [1]. VitroGro® ECM is ideal as an ECM replacement since its structural and functional elements mimic those present in the ECM at the early stages of normal wound healing.
- Expert health economics modelling indicates that VitroGro® ECM offers the opportunity for substantially more cost effective treatment of wounds compared to the current standard of care.

[1] Widgerow AD . Deconstructing the stalled wound. Wounds 2012
[2] Schultz GS. Extracellular Matrix: review of its roles in acute and chronic wounds. World Wide Wounds. 2005
[3] Moor AN. et al. Proteolytic activity in wound fluids and tissues derived from chronic venous leg ulcers. Wound Rep Reg. 2009
[4] International consensus, Acellular matrices for treatment of wounds. Wounds Int. 2010

About Tissue Therapies Limited

Tissue Therapies Limited is a biomedical technology company that is developing significantly more effective treatments for acute and chronic wound healing applications, including chronic skin ulcers and burns. Tissue Therapies Limited is commercialising VitroGro® ECM, a technology created by cell biology, tissue engineering and protein engineering experts at the Institute of Health and Biomedical Innovation at the Queensland University of Technology. The company is also developing treatments for psoriasis, scar prevention and various cancers including those of the breast, colon and prostate. Tissue Therapies Limited's shares are traded on the Australian, Berlin and Frankfurt stock exchanges.

More information: www.tissuetherapies.com

Important information

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933 (the 'US Securities Act'), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, unless the securities have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available.

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