Tissue Therapies Limited
ABN 45 101 955 088

Appendix 4D
ASX Half-Year Report
31 December 2014
Lodged with the ASX under Listing Rule 4.2A

Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Summary of Financial Information

Extracts from this report for announcement to the market:

	Half-year Ended 31-Dec-14 $	Half-year Ended 31-Dec-13 $	Movement $	Movement %
Revenue from continuing operations	79,489	70,072	9,417	13.4%
Profit/(Loss) after income tax for the half-year attributable to members	(5,030,939)	(3,265,000)	(1,765,939)	(54.1%)
Total comprehensive income for the half- year attributable to members	(5,058,571)	(3,247,059)	(1,811,512)	(55.8%)

NTA backing

	31-Dec-14 Cents	31-Dec-13 Cents
Net tangible asset backing per ordinary security	4.41	7.57

Dividends

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

Highlights of Results

Refer to the Directors' Report.

DIRECTORS' REPORT

Your Directors present their report on Tissue Therapies Limited ("the Company") and controlled entities ("the Group") for the half-year ended 31 December 2014.

Directors

The names of Directors who held office during or since the end of the half-year:

Mr Roger Clarke – Chairman
Dr Mel Bridges – Director
Dr Cherrell Hirst – Director
Mr Iain Ross – Director
Mr Tim Hughes – Director (appointed on 1 November 2014)
Dr Steven Mercer – Executive Director

Review of Operations

Operating Results

- Tissue Therapies recorded an after-tax loss of $5,030,939. This loss included a provision for impairment of the inventory of VitroGro® ECM of $1,407,603.

- Revenue of $79,489 arose from interest earned on funds on deposit.

Review of Operations

- The final review for CE Mark approval by the European Medicines Agency (EMA) continued during the period of July – December 2014. The EMA Committee review is a defined process with a maximum duration of 210 calendar days, which does not include the time taken for Tissue Therapies to respond to any questions issued by the EMA reviewers.

- The 180-day EMA review questions were received by the Company from the Notified Body (BSI) as previously announced (please see **ASX: TIS** EMA 180-Day Review Questions Received, 30 September 2014). Most of the issues raised in the 120-day questions were classified by the EMA at that time as completely resolved.

- Responses to all 180-day questions were provided by the Company to BSI on 19 January 2015 as per the timetable agreed with BSI and the EMA and as announced (please see **ASX: TIS** Date of Final EMA Committee Assessment Determined, 4 November 2014). The EMA notified BSI of a deferred acceptance date for the submission of the responses to the 180-day questions until 26 February 2015. (Please see **ASX: TIS** Acceptance Date of 180-Day EMA Response Deferred by 1 Month, 21 January 2015) On this new timetable, the EMA Review Committee opinion should be advised to BSI during early April 2015. Tissue Therapies will then be advised of the opinion by BSI.

Financial Review

- In December 2014 the Company made a provision of $1,407,603 against the impairment of the inventory of VitroGro® ECM. This was due to continued delays in the EMA process, inventory carrying costs and the desirability of introducing a newly manufactured product with current labelling to the market when approval for sale in the EU is achieved.

- Cash and cash equivalents were $2,813,742 at 31 December 2014.

- The Company's contributed equity at 31 December 2014 was $58,384,287.

- Research and development expenditure of $312,682 and expenditure on clinical trials of $225,911 were incurred in pursuing the Group's key research and business priorities.

- Option expense of $81,966 related to options issued to the CEO in October 2014 and key Tissue Therapies' staff and contractors in July 2014 under the Company's Equity Option Plan. These options will only vest upon achieving sales in United Kingdom of $0.5m and sales in Germany of $0.7m by a specific target date and lapse 2 years after vesting.

- Income tax benefit of $182,154 has been recorded which includes $188,832 for an R & D tax benefit.

Future Developments, Prospects and Business Strategies

- The regulatory approval process for the granting of CE Mark in the EU has exceeded internal timelines and expectations. The VitroGro® ECM application is thorough and meticulous but this does not guarantee that CE Mark will be granted imminently and contingency planning and risk mitigation for further potential delays are prudent.

- The Board has resolved that the opportunity cost of further delays in future international sales revenue should not be allowed to continue to grow. The appropriate risk mitigation strategy is to uncouple approvals and sales in the rest of the world from the EU CE Mark process.

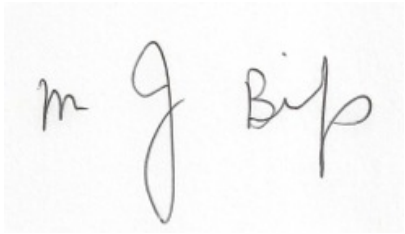
- Commencing preparation for an FDA diabetic ulcer trial in the USA in the second half of 2015 will minimize risk and optimize future global sales by maximizing future market access.

- The Company intends to raise A$7.7 million now with a combination of placements and an Entitlement Issue available to all shareholders, and anticipates targeting a further A$15 – 22 million later this year from international strategic investors to:
    - Complete final EMA review, to seek approval for CE Mark and proceed with targeted country sales launches in the EU and internationally;
    - Fund an FDA diabetic ulcer clinical trial to start during the second half of 2015. This clinical trial is expected to take 24 months and cost US$10 million; and
    - Provide working capital.

Auditor's Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is attached to this Directors' Report for the half-year ended 31 December 2014.

Signed in accordance with a resolution of the Board of Directors.



Melvyn Bridges
DIRECTOR

Brisbane, 4 February 2015

Auditor's Independence Declaration

under Section 307C of the *Corporations Act 2001*
to the Directors of Tissue Therapies Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2014 there have been:

a) no contravention of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

b) no contravention of any applicable code of professional conduct in relation to the review.

PKF HACKETTS

PKF Hacketts Audit

Brisbane, 4 February 2015

L J Murphy
Partner

PKF Hacketts Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Note	CONSOLIDATED 31-Dec-14 $	CONSOLIDATED 31-Dec-13 $
Continuing operations			
Other income	2	79,489	70,072
		79,489	**70,072**
Research & development		(312,682)	(511,430)
Clinical trials expenses		(225,911)	(11,778)
Occupancy expenses		(133,298)	(120,675)
Marketing and business development		(205,875)	(54,402)
Regulatory approvals		(613,117)	(466,508)
Intellectual property		(129,371)	(178,015)
Sales and distribution		(35,302)	(37,980)
Transport and logistics		(79,032)	(70,592)
Impairment of inventory	5(a)	(1,407,603)	-
Employment expenses		(1,033,208)	(940,144)
Consultants		(452,791)	(400,812)
Administration		(411,987)	(308,714)
Option expenses		(81,966)	(125,750)
Depreciation		(42,810)	(41,668)
Finance costs		(8,793)	(4,958)
Loss on foreign exchange		(14,086)	(221,619)
Other expenses		(104,750)	(144,761)
Loss before income tax benefit		**(5,213,093)**	**(3,569,734)**
Income tax benefit		182,154	304,734
Net loss after tax		**(5,030,939)**	**(3,265,000)**
Other comprehensive income items			
Other comprehensive income:			
Foreign exchange translation reserve		(27,632)	17,941
Income tax relating to components of other comprehensive income		**-**	**-**
Other comprehensive income after tax		**(27,632)**	**17,941**
Total comprehensive income for the period		**(5,058,571)**	**(3,247,059)**
Loss attributable to members of the Company		**(5,030,939)**	**(3,265,000)**
Total comprehensive income attributable to members of the Company		**(5,058,571)**	**(3,247,059)**
Earnings per share		**Cents**	**Cents**
Basic earnings per share	9	(1.91)	(1.48)
Diluted earnings per share	9	(1.91)	(1.48)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

	Note	CONSOLIDATED 31-Dec-14 $	CONSOLIDATED 30-Jun-14 Restated $
Current assets			
Cash and cash equivalents	4	2,813,742	7,077,387
Receivables		92,658	184,257
Inventories	5(a)	156,968	1,529,840
Current tax assets		188,832	404,979
Other assets	6	75,344	322,540
Total current assets		**3,327,544**	**9,519,003**
Non-current assets			
Inventories	5(b)	9,380,960	8,728,840
Property, plant and equipment		202,213	241,072
Intangible assets		342,250	342,250
Other assets		1,525	1,525
Total non-current assets		**9,926,948**	**9,313,687**
Total assets		**13,254,492**	**18,832,690**
Current liabilities			
Payables		838,974	1,234,849
Current tax liabilities		18,774	12,055
Provisions		318,401	196,950
Derivative financial instruments		-	302,781
Other liabilities		29,964	29,964
Total current liabilities		**1,206,113**	**1,776,599**
Non-current liabilities			
Provisions		-	91,349
Other liabilities		89,895	104,999
Total non-current liabilities		**89,895**	**196,348**
Total liabilities		**1,296,008**	**1,972,947**
Net assets		**11,958,484**	**16,859,743**
Equity			
Contributed equity	7	58,384,287	58,308,941
Reserves		50,795	415,166
Accumulated losses		(46,476,598)	(41,864,364)
Total equity		**11,958,484**	**16,859,743**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

		Reserves			
	Share Capital $	Option Reserve $	Foreign Exchange Translation Reserve $	Accumulated Losses $	Total $
Total equity at 1 July 2013	48,845,335	168,469	(10,793)	(35,034,773)	13,968,238
Total comprehensive income	-	-	17,941	(3,265,000)	(3,247,059)
Transactions with owners in their capacity as owners:					
- Contributions of equity	10,119,665	-	-	-	10,119,665
- Transaction costs	(751,085)	-	-	-	(751,085)
- Employee share options	-	125,750	-	-	125,750
Total transactions with owners	9,368,580	125,750	-	-	9,494,330
Total equity at 31 December 2013	58,213,915	294,219	7,148	(38,299,773)	20,215,509
Total equity at 1 July 2014	58,308,941	435,169	(20,003)	(41,864,364)	16,859,743
Total comprehensive income	-	-	(27,632)	(5,030,939)	(5,058,571)
Transactions with owners in their capacity as owners:					
- Share based payments	76,960	-	-	-	76,960
- Transaction costs	(1,614)	-	-	-	(1,614)
- Employee share options	-	81,966	-	-	81,966
- Option reserve lapsed/expired	-	(418,705)	-	418,705	-
Total transactions with owners	75,346	(336,739)	-	418,705	157,312
Total equity at 31 December 2014	58,384,287	98,430	(47,635)	(46,476,598)	11,958,484

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	CONSOLIDATED 31-Dec-14 $	CONSOLIDATED 31-Dec-13 $
Cash flows related to operating activities			
Payments to suppliers and employees		(4,031,934)	(3,033,630)
Payments for research & development, clinical trials and regulatory		(756,766)	(1,034,712)
Interest received		162,065	97,824
Income tax rebate received		404,979	-
Interest and other costs of finance paid		(8,793)	(4,958)
Net cash provided by (used in) operating activities		**(4,230,449)**	**(3,975,476)**
Cash flows related to investing activities			
Payment for property, plant and equipment		(3,950)	(4,683)
Net cash provided by (used in) investing activities		**(3,950)**	**(4,683)**
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		-	10,119,665
Cost of share issue		(1,614)	(698,071)
Net cash provided by (used in) financing activities		**(1,614)**	**9,421,594**
Net increase (decrease) in cash held		**(4,236,013)**	**5,441,435**
Cash and cash equivalents at beginning of period		7,077,387	4,862,425
Foreign currency movement		(27,632)	17,941
Cash and cash equivalents at end of period		**2,813,742**	**10,321,801**

The accompanying notes form part of these financial statements.

Condensed Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies

These consolidated interim financial statements and notes represent those of Tissue Therapies Limited ("the Company") and controlled entities ("the Group).

Tissue Therapies Limited is a public company incorporated and domiciled in Australia.

The financial statements were authorised for issue on 2 February 2015 by the Directors of the Company.

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

This half-year financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this half-year financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements, except in relation to the matter discussed below.

Change in Accounting Policy for Inventory

As a result of continued delays in the EMA process, inventory carrying costs and the desirability of introducing a newly manufactured product with current relabelling to the market when approval for sale in the EU is achieved, Tissue Therapies Limited made a provision of $1,407,603 against the impairment of the first batch of inventory of VitroGro® ECM in December 2014.

The Company has, as a consequence, reclassified as non-current work-in-progress, most of the concentrated VitroGro® ECM protein and related manufacturing development and quality management cost. Management estimate that due to the delays in approval this concentrated VitroGro® ECM protein, and related manufacturing development and quality management cost, will not be utilised in the production of VitroGro® ECM syringes in production batches within the next 12 months. Existing stocks of VitroGro® ECM production cells and reference protein previously disclosed as non-current has also been reclassified as non-current WIP to the extent that it is not expected to be utilised within the next 12 months.

The concentrated VitroGro® ECM protein and related manufacturing development and quality management cost expected to be utilised in the production of VitroGro® ECM syringes in the next 12 months continues to be classified as a current work-in-progress.

As required by AASB 108, the change in accounting policy has been applied retrospectively and, as a consequence, adjustments were recognised in the comparative Statement of Financial Position as of 30 June 2014.

The impact of this change in the accounting policy on individual line items in the consolidated statement of financial position can be summarised as follows.

Condensed Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

	CONSOLIDATED Prior half-year restatement		
	30-Jun-14 Previously stated $	Increase/(Decrease) $	30-Jun-14 Restated $
Current assets			
Inventories	10,088,929	(8,559,089)	1,529,840
Total current assets	18,078,092	(8,559,089)	9,519,003
Non-current assets			
Inventories	169,751	8,559,089	8,728,840
Total non-current assets	754,598	8,559,089	9,313,687
Total assets	**18,832,690**	**-**	**18,832,690**

There is no impact to the consolidated statement of comprehensive income and statement of cash flow.

Following this change the following new accounting policies apply:

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories – current comprises of:

- VitroGro® ECM syringes ready for sale; and
- Concentrated VitroGro® ECM protein and related manufacturing development and quality control costs expected to be used in the production of VitroGro® ECM syringes within 12 months.

Inventories – non-current comprises of:

- Concentrated VitroGro® ECM protein and related manufacturing development and quality control costs to be used in the production of VitroGro® ECM syringes not expected to be used within 12 months;
- Production cells which comprises a master cell bank used for reference purposes, and a working cell bank that expresses the VitroGro® ECM protein during fermentation and;
- Reference protein, which is the standard protein source that all production batches are compared to in order to assess conformity to quality acceptance criteria.

New and Revised Accounting Requirements applicable to the current half-year reporting period

A number of new and revised accounting standard requirements become mandatory for the first time during the half-year reporting period to 31 December 2014.

The Group has adopted all of the new and revised standards and interpretations that are relevant to their operations and effective for the current half-year. Adoption has not resulted in any material changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-year.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2014 annual report.

Condensed Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Provision for Impairment of VitroGro® ECM Inventory

In December 2014 the Company made a provision of $1,407,603 against the impairment of the inventory of VitroGro® ECM. This was due to continued delays in the EMA process, inventory carrying costs and the desirability of introducing a newly manufactured product with current labelling to the market when approval for sale in the EU is achieved.

Note 2 Revenue and expenses

	31-Dec-14 $	31-Dec-13 $
Other income		
Interest revenue	79,489	70,072
Total other income	**79,489**	**70,072**

Note 3 Segment Information

Operating segments are identified, and segment information disclosed, on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker, which, for the Company, is the Board of Directors. In this regard, the Board of Directors confirms that the Company continues to operate in one operating segment, being biotechnology.

Note 4 Reconciliation of cash and cash equivalents

	31-Dec-14 $	30-Jun-14 $
Cash at bank	755,891	1,035,068
Short term bank deposits – at call	2,057,851	6,042,319
Total cash and cash equivalents at end of period	**2,813,742**	**7,077,387**

Note 5(a) Inventories – current

	31-Dec-14 $	30-Jun-14 $
VitroGro® ECM – at cost	1,509,995	1,479,165
Less: Provision for impairment	(1,407,603)	-
	102,392	1,479,165
VitroGro® ECM – Work-in-progress – at cost	54,576	50,675
Total Inventories - Current	**156,968**	**1,529,840**

Provision for impairment of inventory of $1,407,603 has been provided for most of the inventory of VitroGro® ECM. This was due to continued delays in the EMA process, inventory carrying costs and the desirability of introducing a newly manufactured product with current labelling to the market when approval for sale in the EU is achieved.

Condensed Notes to the Financial Statements

Note 5(b) Inventories - non-current

	31-Dec-14 $	30-Jun-14 $
VitroGro® ECM – Work-in-progress – at cost	9,380,960	8,728,840

VitroGro® ECM work-in-progress includes concentrated VitroGro® ECM protein, production cells, reference protein and related manufacturing development and quality management cost.

The carrying value of the VitroGro® ECM work in progress inventory is dependent upon the ability of the company to sell the inventory once the work in progress has been processed into VitroGro® ECM syringes for sale. The ability to sell the VitroGro® ECM syringes is dependent upon the company gaining the appropriate regulatory approval.

The regulatory approval process for the granting of CE Mark in the EU has exceeded internal timelines and expectations. The VitroGro® ECM application is thorough and meticulous but this does not guarantee that CE Mark will be granted imminently. The Directors however remain confident that the company will continue to meet the requirements of the regulators and that the current on-going EMA review process for the granting of CE Mark will have a positive outcome. On this basis the Directors are of the opinion that carrying value of VitroGro® ECM work in progress inventory is appropriately carried at cost and is recoverable.

Should the regulatory approval process not be successful, then a significant uncertainty may arise as to the ability of the company to realise the carrying value of VitroGro® ECM work in progress inventory.

Note 6 Other assets – current

	31-Dec-14 $	30-Jun-14 $
Prepayments		
- Clinical trials expenses	-	222,229
- Other	75,344	100,311
Total Other Assets - Current	**75,344**	**322,540**

The prepaid clinical trial expenses in 30 June 2014 represented inventory VitroGro® ECM produced for clinical trial. This inventory has been expensed consistent with the provision for impairment of other VitroGro® ECM inventory in December 2014.

Note 7 Issued and quoted securities at end of current period

	Category of Securities	Number	Issue Price per Security Cents	Amount Paid Up per Security Cents	$
	Ordinary Securities				
01/07/14	Opening balance at beginning of period	263,113,571			58,308,941
23/10/14	Ordinary shares issued to consultant for consultancy services	187,092	31c	31c	57,929
23/10/14	Ordinary shares issued to consultant for consultancy services	57,614	33c	33c	19,031
	Transaction costs				(1,614)
	Total Ordinary Securities	**263,358,277**			**58,384,287**

Condensed Notes to the Financial Statements

Note 8 Contingent assets or contingent liabilities

There has been no change in contingent assets or contingent liabilities since the last annual reporting date.

Note 9 Earnings per security ("EPS")

	31-Dec-14	31-Dec-13
	$	$
Loss after income tax benefit attributable to the Company	(5,030,939)	(3,265,000)
Weighted average number of shares used as the denominator	**No.**	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculation of Basic EPS	263,160,501	221,016,002
Weighed average number of options outstanding which are considered potentially dilutive	-	-
Weighted average number of potential ordinary shares outstanding during the year used in calculation of Dilutive EPS	263,160,501	221,016,002

The diluted EPS calculation includes that portion of these options considered to be potentially dilutive, weighted with reference to the date of conversion.

	Cents	Cents
Basic earnings per share	(1.91)	(1.48)
Diluted earnings per share	(1.91)	(1.48)

Note 10 Events occurring after the balance sheet date

On 4 February 2015, the Company announced a capital raising of approximately $7.7 million through a placement to institutional and sophisticated investors (Placement) and a proposed Entitlement Offer, in order to provide the Company with working capital to meet the operational costs of the Company, and to:

- Complete the EMA review in order to seek approval for the granting of CE Mark and targeted country sales launches in the EU and internationally; and
- Start an FDA diabetic ulcer human trial to commence during the second half of 2015, to provide the basis for approval for sale of VitroGro® ECM for the treatment of diabetic ulcers in the USA and to optimize future global sales.

The Company has decided to dispose of the VitroGro® ECM inventory in respect of which a provision for impairment was made at 31 December 2014.

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 11 Dividends

No dividend has been paid for the half-year ended 31 December 2014. As at 31 December 2014 and up until the date of this report, the Directors have made no recommendation concerning dividends for the half-year, or any period thereafter.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:

    a. complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

TISSUE THERAPIES LIMITED

Melvyn Bridges
DIRECTOR

Brisbane, 4 February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF TISSUE THERAPIES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tissue Therapies Limited ("the Company") and its controlled entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tissue Therapies Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tissue Therapies Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PKF Hacketts

PKF Hacketts Audit

L J Murphy
Partner

Brisbane, 4 February 2015

PKF Hacketts Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317