



2 December 2011

Investor Update

Dear Shareholder,

Following a very positive AGM for our company, I thought it important to write to you outlining not only some key messages which came out of the AGM, but also key messages which have evolved out of our disclosure to the market on our sales and marketing partnerships with Quintiles and Movianto.

The Board and Senior Management team at Tissue Therapies believe strongly in the commercial advantages of the announced partnerships and the plans for the UK and European launch and subsequent commencement of sales of our lead product, VitroGro® ECM, during the second quarter of calendar 2012.

The partnerships announced at the AGM are not the traditional large health care company licensing agreement – they are far better for Tissue Therapies.

Compared to a traditional licensing agreement, this launch plan delivers more revenue to Tissue Therapies, removes risk, maximises focus on VitroGro® sales and retains complete flexibility for future commercial agreements. I don't know how to craft a better deal than that.

EU Partnerships

At the AGM I was delighted to advise that commercial partnership agreements were signed with Quintiles and Movianto over the preceding weekend and were announced shortly before the start of the AGM on Monday 28 November 2011.

The agreement with Quintiles is a true commercial partnership including shared risk and reward. Quintiles will provide the sales and marketing staff in relevant markets, as specified by Tissue Therapies in our detailed rollout plan.

Quintiles is a top tier global biopharma partnering organisation with the breadth and depth of capability equivalent to that of a large international pharmaceutical company. Quintiles has previously partnered with some of the largest global healthcare companies and has executed highly successful healthcare product launches in Europe and North America.

Movianto is an expert, large, integrated logistics partner, with extensive health and medical product experience and pan-European coverage, including the UK.

Compared to a traditional healthcare licensing agreement, the combination of the above partnerships will optimise the requisite skill sets and provide a number of commercially important advantages to Tissue Therapies including:

- Tissue Therapies will retain control of launch plans, messaging, promotions, literature, advertising, sampling and individual country launches.
- Tissue Therapies will retain a higher % of net income.
- The sales staff will be focused exclusively on Tissue Therapies and selling VitroGro® ECM. They will not be selling a large portfolio of products of which VitroGro® ECM will be only one.
- The potential threats to VitroGro® ECM sales of a large partner's competing internal corporate strategies and changing priorities are avoided.
- Tissue Therapies retains complete flexibility to enter into other commercial arrangements for global sales of VitroGro® ECM in the EU and globally.

Unmet Need Opportunity and Sales

Demand modelling has been performed for Tissue Therapies by Global Health Economic Projects, an expert epidemiology and health economics consulting company based in New York.

The modelling shows that the potential global market for VitroGro® for the treatment of diabetic, venous and pressure ulcers is US\$14 billion, growing at 25% per annum.

Based on conservative market share projections, the sales potential for VitroGro® is US\$1 billion per annum. Sales of VitroGro® ECM for other indications such as the treatment of acute wounds including burns are in addition to these figures.

VitroGro® Science is a Competitive Advantage

As part of the preparation for the start of sales, Professor Zee Upton and I have met with approximately 30 of the most influential wound care opinion leaders in the UK and Europe. This is part of an integrated program and will continue up to and after the start of sales.

In all of these meetings the wound care opinion leaders have emphasised the significant competitive advantage of the depth and credibility of the VitroGro® science, including 10 years of peer reviewed published scientific papers and the clinical results. The level of science behind VitroGro® is far higher than is the norm for wound healing products and in an environment of increased austerity, scientific evidence is becoming essential to successful sales.

Health Economics Data

Cost effectiveness proven by serious health economics data is essential, in combination with detailed, credible science. We already have this for VitroGro® and will continue to expand it with country specific data as sales of VitroGro® progress in the UK and Europe.

A global patient registry is being developed for Tissue Therapies by Global Health Economic Projects and will be ready for use during early 2012. This patient registry will not only cost effectively fulfil post-market surveillance requirements, but will also allow quick capture of country specific health economic data to support VitroGro® sales.

The already announced EU venous ulcer clinical results are particularly strong given the difficult, hard-to-heal patients who were recruited into this study. We will use these results for final approval for sale in the EU and in the rest of the world outside the USA.

The rest of the Board and I are excited by the opportunities these partnerships bring to a new, pivotal growth phase for the Company. This innovative set of agreements provide Tissue Therapies with the combination of maximum revenue with minimum risk while retaining complete flexibility for future commercial relationships. I am looking forward to reporting our progress in the UK and Europe next year.

Regards,



Steven Mercer, CEO

Partner Summary Information

Quintiles:

- Biopharma partnering organisation with capabilities equivalent to a large international healthcare company including sales and marketing, regulatory submission, pricing and reimbursement and medical affairs
- 23,000 employees in 59 countries
- net revenue of US\$3 billion in 2010

Movianto:

- Large, integrated logistics partner specialising in health care
- Health product logistics specialist offering full order-to-cash service including inventory management, pick and pack, delivery, multilingual customer support, labelling and packaging.
- 1,700 employees in 14 European countries
- 26 warehouses
- 4 million deliveries per annum

What is VitroGro®

- VitroGro® ECM is a biomimetic scaffold that is sterile, acellular and flowable (designed to be applied to the surface of wounds).
- It is an artificially created matrix protein designed from polypeptide sequences that normally provide attachment sites in healthy skin that guide cells during normal wound healing.
- In chronic (non-healing) wounds, skin cells are deprived of these attachment sites because the extracellular matrix (ECM) is degraded.
- VitroGro® ECM restores normal wound healing by replacing the degraded ECM with a scaffold containing the attachment sites that guide skin cell attachment, proliferation and migration (the essential processes of normal wound healing).
- VitroGro® ECM is a temporary matrix that is designed to be replaced through the normal process of tissue restoration and turnover.
- VitroGro® ECM consistently and conveniently restores healing in chronic ulcers that have failed to respond to current expert care.
- 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.

About Tissue Therapies Limited

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

The Company has worldwide exclusive rights to commercialise VitroGro®, a technology developed by cell biology, tissue engineering and protein engineering experts at the Institute of Health and Biomedical Innovation (IHBI) at the Queensland University of Technology (QUT) for cell growth and migration. VitroGro® has particular commercial applications in wound healing, tissue regeneration, cell-based therapies and cell culture.

Based on its VitroGro® technology, Tissue Therapies is developing more effective treatments for acute and chronic wound healing applications including chronic skin ulcers and burns.

Tissue Therapies is also proceeding with the development of other commercial applications of various VitroGro® and other technologies for the treatment of psoriasis, scar prevention and potential treatments for various cancers including those of the breast, colon and prostate.

VitroGro® also provides a fundamental, transforming technology for completely defined cell culture reagents (ie. containing no purified animal or human proteins) to sustain and enhance the growth of live cells for emerging cell-based therapies, along with research and industrial cell culture markets internationally.

More information: www.tissuetherapies.com