

20 July 2004

Message from the Chairman of Living Cell Technologies: Mr Michael Yates



Dear Shareholder/Investor

In presenting Living Cell Technologies' Supplementary Prospectus, I would like to take the opportunity to explain the delay to our listing on the Australian Stock Exchange (ASX) and to assure you that the matters under discussion do not affect the Company's business strategy nor do the Directors' consider that they have a material impact on the projects as outlined in the original Prospectus dated 14 May 2004.

We are a long-established company with patented intellectual property, extensive international infrastructure and our core focus remains on the progression of our novel therapeutic products for Diabetes, Huntington's disease and Haemophilia into pre-clinical trials. The Supplementary Prospectus has been prepared to address administrative matters raised by the Australian Securities and Investment Commission (ASIC), the regulator of company and financial services law in Australia.

Specifically and briefly:

1. ASIC was concerned that there was not sufficient disclosure in the Prospectus concerning the following matters:
 - (a) use of funds;
 - (b) underwriting arrangements; and
 - (c) share placements.
2. ASIC was also concerned that our intention to have the new shares listed on the Stock Exchange of Newcastle in the event that our ASX application was unsuccessful was not strictly in compliance with the Corporations Act.

The Supplementary Prospectus has been prepared to address the above matters and, on behalf of the board of Living Cell Technologies Limited, I apologise for the delay this has caused. I trust that the following Supplementary Prospectus will allay any concerns you may have and I encourage shareholders and investors to call the Company to discuss any residual queries.

I look forward to your continued involvement and to our debut on the ASX.

Yours sincerely

Mick Yates
Chairman

SUPPLEMENTARY PROSPECTUS

1. IMPORTANT NOTICE

This Supplementary Prospectus is dated 20 July 2004 and is supplementary to the original Prospectus issued by Living Cell Technologies Limited (**LCT**) and lodged with the Australian Securities and Investments Commission (**ASIC**) on 14 May 2004 (**Prospectus**).

This Supplementary Prospectus was lodged with ASIC on 20 July 2004. ASIC, ASX and NSX take no responsibility for the contents of this Supplementary Prospectus. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. This Supplementary Prospectus must be read together with the Prospectus.

If there is any inconsistency between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

New applications for Shares (after the date of this Supplementary Prospectus) may only be made on the Application Form accompanying this Supplementary Prospectus (see section 4.1). Applicants who have already applied for shares under the Prospectus do NOT need to lodge a new Application Form. That is, existing applications for Shares under the Prospectus are not affected. Existing applicants also have a right to withdraw their application in certain circumstances (see section 4.2).

2. REASONS FOR ISSUE OF SUPPLEMENTARY PROSPECTUS

On 2 July 2004, LCT was issued with an interim order by ASIC under section 739(3) of the Corporations Act (**Interim Order**). The Interim Order provides that ASIC has four areas of concern in respect of the Prospectus. Each of those areas of concern is discussed below, together with the disclosures that address those concerns.

2.1 Use of Funds

Section 2.2 of the Prospectus includes a table which sets out the proposed use of funds under the Prospectus totalling A\$5,770,000. The Prospectus does not disclose how LCT intends to apply the funds if a lesser amount is raised, nor the impact which that might have on LCT. Set out below is a table which deals with how LCT will apply the proceeds from the Issue if an amount of A\$4,270,000 is raised:

Use of Funds	\$A
Pre-clinical trials of NeurotrophinCell	741,000
Pre-clinical trials of Fac8Cell	740,000
Pre-clinical trials of DiaBCell	902,000
Funds available for general working capital including activities promoting LCT's overall objectives and the costs involved in negotiating a commercial licensing or partnering deal for NeurotrophinCell and additional R&D	881,000
Management and Admin	795,000
Contingency	0
Expenses of the Issue	412,000
Repayment of Convertible Notes	349,000
Total Expenditure:	4,820,000
Less funds received since the date of the Interim Order (see section 2.3):	(550,000)
Funds from the Offer:	4,270,000

The above table demonstrates that, if only A\$4,270,000 is raised by LCT under the Prospectus (and not A\$5,770,000 as set out in the table in section 2.2 of the Prospectus), the funds to be applied to the implementation of the three development projects are essentially identical to that which would be applied if A\$5,770,000 was raised. Accordingly, the Directors consider that the prospects of LCT and its business would not be adversely affected in those circumstances.

If an amount of less than A\$4,270,000 was raised under the Prospectus, LCT may be required to curtail or discontinue one or more of its development projects. As set out in section 9.1 of the Prospectus, such a decision would reflect a range of factors, including whether or not LCT would be able to raise additional funds after the closing of the Offer. If LCT was not able to raise such additional funds, its business could be materially and adversely affected.

In view of the commitments to subscribe for New Shares which have been made prior to the date of this Supplementary Prospectus, the Directors are confident that more than A\$4,270,000 will be raised under the Prospectus.

2.2 Underwriting

In sections 1.1 and 2.3 of the Prospectus, a reference was made to the Rights Issue being fully underwritten by the Underwriter. The Prospectus also provided that, where shareholders did not take up their full entitlement under the Rights Issue, then these Rights Issue Shares, which were not applied for, formed part of the General Issue.

ASIC was concerned that these disclosures could be considered to be inadequate by reason that:

- (a) the Underwriting Agreement provides that all applications received under the Prospectus will reduce the liability of the Underwriter under the Underwriting Agreement, irrespective of whether those applications are for Rights Issue Shares or General Issue Shares; and
- (b) any placement of Shares made by LCT between 10 May 2004 and the Closing Date (**Placement Shares**) as well as the number of Shares issued as a result of the holders of the D and E Class Convertible Notes making a conversion election prior to the Closing Date (**Conversion Shares**) are also to be deducted from the total number of Rights Issue Shares.

The effect of the above is that the Underwriter's liability to apply for a shortfall only arises when the funds raised from all Shares applied for under the Prospectus (ie both General Issue and Rights Issue Shares), plus the funds raised through the issue of Placement Shares and Conversion Shares, is less than \$4,825,000.

As at the date of this Supplementary Prospectus:

- (a) LCT has issued 1,997,000 Placement Shares; and
- (b) no E Class Convertible Notes have been issued nor have any Conversion Shares have been issued.

2.3 Proposed Placement

In section 2.1 of the Prospectus reference was made to the Directors' intention to issue Placement Shares to raise funds of up to A\$700,000 to be used for general working capital until the closure of the Prospectus. As at the date of this Supplementary Prospectus, LCT had raised:

- (a) A\$399,400 through the issue of 1,997,000 Placement Shares; and
- (b) a further A\$670,000 through advances being made by 2 of its directors, Michael Yates and David Collinson.

The advances by Mr Yates and Mr Collinson to LCT were made pursuant to 2 convertible loan agreements. The key terms of each of these agreements are as follows:

- no interest is payable by LCT on the advance;
- the advance is repayable within 45 days of a demand being made by the lender;
- the advance may, at the election of the lender and subject to the approval of LCT's shareholders, be converted into Shares. For this purpose, the number of Shares to be issued will be determined at a notional price of A\$0.20 per Share.

The reason for these advances being by way of convertible loans was due to the NSX listing rules prohibiting any share issues to directors without shareholder approval. That is, but for this requirement, Mr Yates and Mr Collinson would have applied for Placement Shares rather than making the advances by way of convertible loans.

Accordingly, since the date of the Prospectus, LCT has raised a total of A\$1,069,400 in additional funds (of which a total of A\$550,000 has been raised since the making of the Interim Order). These additional funds are being applied to:

- (i) fund LCT's operations until the moneys raised under the Prospectus may be utilised by LCT; and
- (ii) fund the initial phases of the development programs referred to in the Prospectus.

2.4 Quotation of Securities

Under section 711(5) of the Corporations Act, if a prospectus states or implies that the securities offered pursuant to it are to be traded on a financial market, that prospectus must state that an application for admission of the securities to quotation on that financial market will be made to the operator of that market within 7 days after the date of the prospectus.

Under section 2.7 of the Prospectus, reference is made to LCT making application within 7 days after the date of the Prospectus for official quotation of the New Shares on ASX (which application was made within that time period). Section 2.9 of the Prospectus further provides that, if official quotation of the New Shares on ASX is not granted, application will be made for official quotation of the New Shares on the NSX.

In the Interim Order, ASIC advised LCT that, in its view, section 2.9 should have provided that application for quotation on *both* the ASX and the NSX was to be made within 7 days after the date of the Prospectus to comply with section 711(5).

Since the making of the Interim Order, LCT has been granted a modification to section 711(5) so as to allow LCT to make application for the quotation of the New Shares on NSX within 7 days after notification that the New Shares will not be admitted for quotation on the ASX. In other words, LCT does not have to make application for the listing of the New Shares on NSX until it is advised that the New Shares will not be admitted for quotation on the ASX.

As at the date of this Supplementary Prospectus, the Directors have no reason to believe that LCT's application for quotation of the New Shares on ASX will not be granted.

3. EXTENSION OF CLOSING DATE

The Directors have agreed to extend the Closing Date until 12 August 2004. By reason of that extension, the Directors expect that the date:

- (i) for dispatch of the holding statement will be 21 August 2004; and
- (ii) of quotation of New Shares on ASX will (subject to LCT's application being granted) be 26 August 2004.

The dates referred to above are indicative only and subject to change. Directors reserve the right to vary the Closing Date without prior notice. This may impact on subsequent dates.

4. SHARE APPLICATIONS

4.1 Investors who have NOT previously submitted an Application Form

All new applications for Shares (after the date of this Supplementary Prospectus) must be made on the Application Form accompanying this Supplementary Prospectus. The Application Form contains detailed instructions on how it should be completed. New applications must NOT be made on the Application Form accompanying the Prospectus. Completed Application Forms may be lodged at any time, but no later than close of business on the revised Closing Date of 12 August 2004.

Applications Form together with Applications Monies must be delivered to:

Australia:

Computershare Investor Services Pty Ltd
GPO Box 1903
ADELAIDE
South Australia 5001
Australia

New Zealand:

Computershare Investor Services Limited
Private Bag 92119
Auckland 1020
New Zealand

4.2 Applications already made pursuant to the Prospectus

Applicants who have already lodged an Application Form or Entitlement and Acceptance Form pursuant to the Prospectus do NOT need to lodge a new Application Form. Their existing application for New Shares under the Prospectus will not be affected. Applicants may however lodge a further Application Form if they wish to apply for additional Shares under this Supplementary Prospectus. In that event, they should complete the Application Form accompanying this Supplementary Prospectus.

In accordance with section 724 of the Corporations Act, shareholders and investors who have lodged applications under the Prospectus prior to the date of this Supplementary Prospectus are entitled, within 1 month, to withdraw their application and be repaid. Any applicant who wishes to obtain a refund should write to LCT's share registry at either of the addresses included in section 4.1 above. The details of the refund cheque (including the address to which it should be sent) must correspond to the details contained in the Application Form or Entitlement and Acceptance Form previously lodged by that shareholder or investor. Refunds will be paid as soon as practicable.

By a modification under section 741(1) of the Corporations Act, ASIC has refreshed the time period specified in section 723(3)(b) relating to the 3 month period from the date of the Prospectus to satisfy the condition for admission to quotation of the New Shares. That is, the time period specified in that provision will recommence from the date of this Supplementary Prospectus.

As such, existing applicants who choose not to withdraw their applications within one month from the date of this Supplementary Prospectus will not have an opportunity to withdraw their applications until 3 months from the date of this Supplementary Prospectus. This further opportunity to withdraw applications will only arise if the New Shares have not been admitted to quotation on either ASX or NSX within 3 months after the date of this Supplementary Prospectus.

5. COPIES OF THE PROSPECTUS

The Prospectus and this Supplementary Prospectus are available in a paper version and in electronic form. The electronic version is available on the LCT website at www.lct.com.au until the Offer closes.

Investors in Australia and New Zealand may apply for New Shares by completing the Application Form accompanying a hard copy of this Supplementary Prospectus or a paper copy printed out from an electronic version of this Supplementary Prospectus. The Corporations Act prohibits any person from passing the application on to another person unless it is accompanied by a hard copy of this Supplementary Prospectus or the complete and unaltered electronic version of this Supplementary Prospectus.

Persons who receive the electronic version of this Supplementary Prospectus should ensure that they download and read the entire Supplementary Prospectus as well as the Prospectus. A paper copy of the Prospectus and this Supplementary Prospectus are available free of charge to any person who requests a copy by contacting Computershare Investor Services Pty Limited during the period of the Offer.

6. DIRECTORS' CONSENT

Each director of LCT has consented to the lodgment of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgment of this Supplementary Prospectus.

The Directors wish to reconfirm that they are very positive about the future prospects of LCT. This positive outlook is verified by the Chairman of Directors and Chief Executive Officer have together personally committed a total of A\$670,000 to LCT since the date of the Prospectus.

Signed on behalf of LCT pursuant to the resolution of the Board.



Roger Coats
Director

Pin cheque
here (do
not staple)

Supplementary Prospectus Application Form

REGISTRARS USE ONLY

LIVING CELL TECHNOLOGIES LIMITED ("Company") ABN 14 104 028 042

This Application Form relates to the Supplementary Prospectus dated 20 July 2004. A person may only give another person access to this Application Form if, at the same time and by the same means, they give the other person access to the Supplementary Prospectus and the original Prospectus.

Fill out this Application Form if you want to apply for General Issue Shares in Living Cells Technologies Limited.

- Follow instructions overleaf to complete this Application Form.
- Print clearly in capital letters using black or blue ink.

Broker's Code

Adviser

Broker's Stamp

A

I/We apply for

number of Securities or such lesser number of Securities as may be allocated to me/us by the Company. (All applications must be for a minimum of 10,000 Securities and thereafter in multiples of 100 shares).

B

I/We lodge full application monies

A\$

. 0 0

(A\$0.20 per Securities) - refer to Note B overleaf

C

Single/Joint Applicant No.1 - refer overleaf for correct forms or registrable title(s)

Title

Given name(s)

Surname

Joint Applicant No.2 or account Designation

Title

Given name(s)

Surname

Joint Applicant No.3 or account Designation

Title

Given name(s)

Surname

D

Enter your postal address details - include State and Postcode

Unit number

Street number

Post Office Box or other Mail Box details (if applicable)

or

Street Name

Suburb/City

State

Postcode

E

Contact Name

Home Telephone Number

Work Telephone Number

e-mail Address

F

CHESS Participant - HIN
(where applicable)

G

Enter your Tax File Number(s) or exemption category

Lodge your Application Form as soon as possible. Pin your cheque above - Cheques should be crossed **Not Negotiable** and made payable to: Living Cell Technologies Limited – Prospectus Account.

Cheque Details

Drawer

Bank

BSB

Amount of Cheque

By lodging this application form, I/We declare that this application is completed and lodged according to the declarations/appropriate statements on the reverse of this form and agree to be bound by the Constitution and By-Laws of the Company and that all statements made by me/us are complete and accurate, notwithstanding that my/our signature does not appear on this form.

You should read the Supplementary Prospectus as well as the original Prospectus carefully before completing this Application Form.

INSTRUCTIONS TO APPLICANTS

Please complete all sections of the Application Form using BLOCK LETTERS. Applications for the Securities offered by the Supplementary Prospectus and the Prospectus must be made and can only be accepted on the Application Form which forms part of the Supplementary Prospectus.

- A** Insert the number of Securities you wish to apply for. The minimum number of Securities which may be applied for is 10,000. Additional Securities in excess of the minimum must be applied for in multiples of 100 Securities.
- B** Application moneys must be for the full amount in Australian dollars (numbers of Securities multiplied by A\$0.20 per Security). **Cheques must be made payable to ‘Living Cell Technologies Limited – Prospectus Account’ and crossed ‘not negotiable’**. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company’s decision as to whether to treat your application as valid, and how to construe, amend or complete it, will be final. The Company’s decision on the number of Securities to be allocated to you will also be final. You will not, however, be treated as having offered to purchase more Securities in the Company than is indicated in Box A. Where the number of Securities allotted is less than the number of Securities applied for, surplus application moneys will be refunded within 14 days of the closing date. Interest will not be paid on refunded moneys.
- C** Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Company up to a maximum of three names per application. Applications in the name of a trust or estate, business, firm or partnership, club, association or other unincorporated body cannot be accepted. However, applications made solely in the individual name(s) of the person who is the trustee, proprietor, partner or office bearer (as applicable) of those entities will be accepted. For a guide, please refer below:

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual Use given names, not initial	Mr. John James Smith	J J Smith
Company Use company title, not abbreviations	Smith Pty Ltd	Smith P/I Smith Co
Trusts Use trustee(s) personal names(s), do not use the name of the trust	Mrs Tracy Smith <Tracy Smith Family A/C>	Tracy Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased.	Ms Prue Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use the partners personal names, do not use the name of the partnership	Mr John Smith + Mr Bart Smith <John Smith and Son A/C>	John Smith and Son
Club/Incorporated Bodies/Business Names Use office bearer(s) personal name(s), do not use the name of the club etc.	Mr David Smith <Smith Tennis Association A/C>	Smith Tennis Association
Superannuation Funds Use name of trustee of fund, do not use the name of the fund.	Prue Smith Pty Ltd <Super Fund A/C>	Prue Smith Pty Ltd Superannuation Fund

- D** Please enter your postal address for all correspondence. All communications to you from the Company’s share registry (Issuer holding statements, annual/interim reports, correspondence etc) will be mailed to the person(s) and address as shown. You should notify the Company of any change of address. For joint applications only one address is required.
- E** Please provide us with telephone numbers, e-mail address (including the person responsible in the case of an application by a company) so that we can contact you quickly if there is an irregularity in your Application Form. **If you have any questions on how to complete this Application Form please telephone Computershare Investor Services Pty Limited on 1300 556 161.**
- F INSTRUCTIONS FOR PARTICIPATION IN CHESS** - the Company will apply to the ASX to participate in CHESS. This means that a holder will receive a statement of holding rather than a share certificate. If you are already a participant in CHESS you may complete this section or send the signed Application Form to your sponsoring broker for completion prior to lodgement, otherwise leave this section blank. All shareholders will receive shares on the issuer sponsored subregister or CHESS subregister. For holders who are currently sponsored on CHESS, please provide the relevant CHESS HIN in the space provided.
- G TAX FILE NUMBERS** - Collection of tax file numbers (TFN) is authorised by tax law and the Privacy Act. The failure to quote a TFN will not invalidate your application for Securities. However, if you are a resident of Australia for income tax purposes and decline to quote your TFN, tax must be taken out of the dividends, to the extent they are unfranked, at the top personal marginal rate plus the Medicare levy (currently 48.5% in aggregate) unless an Applicant quotes an exemption. Enter your tax file number or exemption category. **For more information about the use of tax file numbers or available exemptions, please contact the Tax Office.**

LODGEMENT OF APPLICATIONS Please post or deliver the completed Application Form together with your cheque to the following address:

Computershare Investor Services Pty Limited
Level 5
115 Grenfell Street
Adelaide SA 5000
1300 556 161

The offer period has been extended and will remain open until close of business on 12 August 2004 subject to the right of the Company to close the offer at any time or to extend the closing date for applications without prior notice. **Application Forms must be received no later than close of business on 12 August 2004.**

The Applicant(s) agrees that this application is for Securities in the Company upon and subject to the terms of the Supplementary Prospectus and the Prospectus. The Applicant(s) agrees to take any number of Securities equal to or less than the number of Securities indicated in Box A that may be allotted to the Applicant(s) pursuant to the Supplementary Prospectus and the Prospectus. The applicant(s) declares that all details and statements made by me/us are complete and accurate.

The Company will send a paper copy of the Supplementary Prospectus, the original Prospectus and Application Form to you free of charge on request, at any time while the Supplementary Prospectus is current.