



Living Cell Technologies Limited Company Announcement

LCT Executes AUD 5,750,000 Funding Agreement

- Funding provided by New York-based fund SpringTree Special Opportunities Fund, LP for development of DIABECCELL[®] in the treatment of Type 1 diabetes and for general operations
- DIABECCELL Phase IIb New Zealand trial recently extended to include fourth treatment arm at lowest dose
- LCT recently obtained registration for DIABECCELL in Russia

31 December 2010: Sydney, Australia & Auckland, New Zealand. Living Cell Technologies Limited (ASX: LCT; OTCQX: LVCLY), a global company pioneering the development of a cell implant to treat diabetes, is pleased to announce today that it has entered into a Share Purchase and Convertible Security Agreement with New York-based investment fund SpringTree Special Opportunities Fund, LP (SpringTree) in respect of the issue of up to AUD 5,250,000 worth of shares over an 18-month period from the date of the Agreement and the provision of a AUD 500,000 convertible security, for total funding of up to AUD 5,750,000. This funding is to provide funds toward the further development and commercialisation of LCT's lead product DIABECCELL and for general operations.

LCT CEO and Managing Director Dr Ross Macdonald said: "We are delighted to secure this funding for the company to help us move the company forward."

SpringTree is a New York-based investment fund that makes equity and equity-linked investments in small-cap and mid-cap public companies around the world. Eugene Tablis, a Managing Director of SpringTree Global Investors, LLC, SpringTree's general partner (manager) commented: "This is our fifth Australian/New Zealand life sciences investment. We have been impressed by LCT's new management team, and are looking forward to supporting the company as it progresses the development of its much needed therapies."

LCT is scheduled to treat the patients recently approved for the fourth treatment arm in its ongoing Phase IIb clinical trial in New Zealand in the coming weeks. LCT is also working with its team in Russia on commercialisation plans for DIABECCELL, recently registered in Russia.

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For further information please contact:

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About Living Cell Technologies, Ltd. - www.lctglobal.com

Living Cell Technologies (LCT) is developing cell-based products to treat life threatening human diseases. The Company owns a biocertified pig herd that it uses as a source of cells for treating diabetes and neurological disorders. For patients with Type 1 diabetes, the Company transplants microencapsulated islet cells so that near-normal blood glucose levels may be achieved without the need for administration of insulin or at significantly reduced levels. The Company entered clinical trials for its diabetes product in 2007. For the treatment of Parkinson's disease and other neurological disorders, the company transplants microencapsulated choroid plexus cells that deliver beneficial proteins and neurotrophic factors to the brain. LCT's technology enables healthy living cells to be injected into patients to replace or repair damaged tissue without requiring the use of immunosuppressive drugs to prevent rejection. LCT also offers medical-grade porcine-derived products for the repair and replacement of damaged tissues, as well as for research and other purposes.

About SpringTree Global Investors, LLC

SpringTree Global Investors, LLC is a New York-based alternative asset management company that makes equity and equity-linked investments in public companies around the world, with a focus on small-cap and mid-cap companies requiring US\$5-US\$150 million in funding. It invests across a broad range of industries and a wide range of geographies and economic environments.

LCT Disclaimer

This document contains certain forward-looking statements, relating to LCT's business, which can be identified by the use of forward-looking terminology such as "promising," "plans," "anticipated," "will," "project," "believe," "forecast," "expected," "estimated," "targeting," "aiming," "set to," "potential," "seeking to," "goal," "could provide," "intends," "is being developed," "could be," "on track," or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other health authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any health authorities for sale in any market or that they will reach any particular level of sales. In particular, management's expectations regarding the approval and commercialization of the product candidates could be affected by, among other things, unexpected clinical trial results, including additional analysis of existing clinical data, and new clinical data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. LCT is providing this information and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

LCT's rationale for undertaking the investment includes the following:

1. Certainty of access to funding: The investment provides LCT with certainty of access to funding over the short term and, if needed, for the next 18 months, and provides assured funding in a difficult capital markets environment. The facility is for the issue of up to AUD 5,250,000 worth of shares and an AUD 500,000 convertible security (the "Convertible Security"), for a total of up to AU 5,750,000, subject to obtaining requisite shareholder approvals under the ASX Listing Rules and ongoing compliance with the terms of the Agreement. The funding is to be made available as follows:

- AUD 650,000 to be provided by SpringTree as soon as practicable after execution of the Agreement (AUD 500,000 in a 0% interest, 24 month convertible security to be satisfied by the issue of shares to SpringTree by the Company, plus AUD 150,000, being the first tranche of the AUD 5,250,000 share purchase facility) (the "First Closing"); and
- AUD 150,000 – AUD 300,000 in monthly share purchases for up to 18 months (AUD 150,000 per month, which can be increased to up to AUD 300,000 by mutual consent).

The regularity and size of the tranches mitigate financial uncertainty and provide a bridge for management to focus on executing the company's business plan.

As soon as practicable after receipt of the initial AUD 650,000 investment, LCT will also grant SpringTree 3,500,000 options exercisable at 130% of the average of the daily volume-weighted average prices of the shares for the 20 trading days immediately prior to the date of the execution of the Agreement. LCT will also pay SpringTree a fee, to be satisfied by an issue of 1,682,692 shares at the First Closing.

The company anticipates that First Closing will take place on, or on the next trading day after, the market reopens on 4 January 2011.

2. Minimizing dilution. The investment structure allows LCT to issue shares at prices that are linked to prices prevailing at the time, and in some cases potentially at premiums to the current share price, and potentially to minimize the dilution for its existing shareholders. The price at which the shares will be issued is the lesser of 90% of the average of the daily volume-weighted average prices of shares during a specified period prior to the relevant issuance date of the shares ("Purchase Price A"), or 130% of the average of the daily volume-weighted average prices of the shares during the 20 trading day period prior to the date of execution of the Agreement ("Purchase Price B"). Purchase Price B will be applicable only to three of the monthly share tranches. The Convertible Security will be convertible at the lesser of Purchase Price A and Purchase Price B.

3. No attached financial covenants: The investment is not subject to any financial covenants.

4. Maximum flexibility: The terms of the Agreement allow the company to enter into future debt financing arrangements and to carry out additional private placements of equity, rights issues and shareholder purchase plans. In addition, the Agreement permits the Company to enter into strategic industry partnerships and undertake acquisitions of assets and shares in future. The company has the right to terminate the Agreement at no cost at its first anniversary, or if the share price is below a floor price selected by the company. The company may also terminate the Agreement at any other time on payment of a AUD 200,000 fee.

5. Validation of the business model by a US Institutional investor: An agreement with a US institutional investor increases the international capital markets' awareness of LCT and validates its strategy of increasing its profile in the US capital markets.

The terms of the Agreement do not permit shares to be issued, and there is no agreement to issue shares under the Agreement, if shareholder approval is required under the ASX Listing Rules. Shareholder approval is not required for the First Closing to proceed.