

## Chairman's Address to the 2017 Annual General Meeting

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We are all extremely disappointed that the outcome of the Phase IIb trial of NTCELL® for Parkinson's disease has not shown a statistically significant difference between the patients who received NTCELL and those who had sham surgery.

I will talk about what those results mean for the future of the company in more depth shortly, but to set those in context, first I'd like to highlight some of the activities from the past 12 months.

In order to ensure Living Cell Technologies was prepared for all potential trial outcomes, your board engaged an external adviser to review the skills required of directors to ensure that the company has the right mix of expertise and experience for the circumstances. The board is mindful of the need to match its collective skills with its strategic intent.

The board also engaged an external advisor to report on board remuneration and benefits. The report recommended modest payments for members and chairs of board committees and for the chairperson. However, in view of the trial result, the board now withdraws the motion proposing an increase in the cap on directors' fees as an increase in the number of directors is not appropriate.

In addition the board withdraws the motion to issue options to directors.

Our approach to capital raising has been to raise sufficient funds to reach the next milestone, then be accountable to shareholders before seeking further investment.

In November 2016 LCT raised \$6.3 million from institutional and professional investors.

The funds raised are being used for working capital to continue research and development including the completion of the Phase IIb trial of NTCELL for Parkinson's disease.

The company continued to claim the Callaghan Innovation R&D Growth Grant. The grant reimburses 20 percent of eligible New Zealand research and development expenditure. In fact, the amount claimed increased substantially over the previous year reflecting increased expenditure on research and development over the past 12 months. We are grateful for the support of Callaghan Innovation.

Protecting LCT's intellectual property is of the utmost importance. At present the company has worldwide patent protection for NTCELL. Before this expires the company intends to apply for patents to be issued in all relevant jurisdictions.

In January, LCT received notice from the United States Patent and Trademark Office that its patent application for "Treatment of CNS Disease with Inducible Choroid Plexus Cells" was published. This published application recognises a substantial number of claims relating to NTCELL.

The company's 50 percent joint venture Diatranz Otsuka Limited has licensed its other 50 percent shareholder, Otsuka Pharmaceutical Factory, Inc. to use DIABECELL in the United States and Japan. OPF is further improving the product in the United States and has agreed to notify DOL when the development reaches milestones requiring the payment of licence fee instalments. DOL supports this development and retains the right to use DIABECELL in the rest of the world.

Following the trial outcome announced last week, management is now carrying out an in-depth analysis of the results, including at an individual patient level, with a view to identifying which type of patients responded best to the treatment. The company's advisers will also be consulted on the interpretation of the results.

The company intends to continue to monitor the patients in accordance with the approved trial extension protocol. Data from groups 1 and 2 will be available in December 2017 and group 3 in May 2018. Dr Taylor and Dr Snow will cover the trial results in more detail following the conclusion of the meeting.

The company will also continue to build on its NTCELL product platform. LCT's scientists are exploring several opportunities, which Dr Taylor will go into in more depth. During the year the company initiated a collaboration with the Centre for Brain Research at the University of Auckland to explore how our products may reverse neurodegenerative processes in human brains. Recently the company announced that it has filed a provisional patent application for pericyte protective agents.

Additionally, the company is working with a number of respected researchers on projects to identify potential target diseases and target treatments, including retinal degeneration and chronic hearing loss.

On behalf of the board, I would like to thank the employees of LCT, led by CEO Dr Ken Taylor who have continued to work determinedly to reach the significant milestone of completing the clinical trial.

I would also like to thank you, our shareholders, for your longstanding support for the work of our highly-skilled and passionate team of scientists. And thanks to our partners, advisers and supporters for their contributions over the past 12 months.

Finally, I would like to thank my colleagues on the board for their commitment and expertise. We share your disappointment that the clinical trial did not have a more favourable outcome.

We are looking forward to analysing the trial results in depth and building on the NTCELL product platform.

Thank you.