

COMMENTARY

Higher than normal cash outflow

The Company's operating cash outflow for the quarter included some significant non-recurring costs which related to the acquisition of the Midkine portfolio. Consulting costs as part of the Midkine due diligence process and technology transfer related expenses have resulted in the higher than normal operating cash outflow.

Capital raising

The Company has funding commitment for a \$2M investment from a Japanese group. Due to the unfavourable market conditions this funding has been delayed. The Company's advisers confirmed that the investor group is still committed to make the investment, however it is unlikely that they can do so in the immediate term.

In addition to this funding commitment the Company's advisers are progressing to implement an underwritten share purchase plan in the coming weeks. Furthermore, the Company is continuing to negotiate additional funding and financing opportunities and remains committed to finalising at least one capital raising initiative before the end of the calendar year.

The Company is presently pursuing all of the above capital raising initiatives and on the basis of discussions with advisors the Company is satisfied that it will be able to meet its ongoing operating costs.

Mergers and acquisitions

The Company is actively involved in a number of merger and acquisition discussions with third parties which have the potential to result in the provision of additional working capital. These discussions are at various stages of development, however they are confidential and incomplete proposals and it would be inappropriate to disclose details at this stage.

Revenue outlook

In addition to its capital raising and corporate initiatives the Company has been actively involved in a number of partnering discussions regarding its large non-core asset portfolio in order to generate licensing, milestone and/or royalty revenues.

+ See chapter 19 for defined terms.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

MEDICAL THERAPIES LIMITED

ABN

69 111 304 119

("Quarter ending")

30 SEPTEMBER 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(213)	(213)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(245)	(245)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	25
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)- grant received	-	-
Net operating cash flows	(433)	(433)

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Appendix 4C
Quarterly report for entities
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		Current Qtr \$A'000	Year to date (3 months) \$A'000
1.8	Net operating cash flows (carried forward)	(433)	(433)
Cash flows related to investing activities			
1.9	Payment for acquisition of:	-	-
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	(7)	(7)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(7)	(7)
1.14	Total operating and investing cash flows	(440)	(440)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other - Interest paid on converting notes	(32)	(32)
	Net financing cash flows	(32)	(32)
	Net increase (decrease) in cash held	(472)	(472)
1.21	Cash at beginning of the quarter	962	962
1.22	Exchange rate adjustments to item 1.2	-	-
1.23	Cash at end of three months	490	490

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Appendix 4C
Quarterly report for entities
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Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Three Months \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	109
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Salary to managing director and directors. The \$109k is included in 1.2 (a)
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash


Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Three Months \$A'000	YTD \$A'000
4.1 Cash on hand and at bank	490	962
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of three months (item 1.23)	490	962

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 Company Secretary

Date: 31 October 2008

Bernadette Kerrigan

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Quarterly report for entities
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Notes

1. The monthly report provides a basis for informing the market how the entity's activities have been financed for the past month and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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