

**ASX ANNOUNCEMENT**

**FUNDING UPDATE**

**15<sup>th</sup> December 2008, Sydney, Australia:** Medical Therapies Limited has been vigorously pursuing funding for the Company's development programs and for the repayment of the outstanding Convertible Notes which mature on December 31<sup>st</sup> 2008.

Based on the progress of these funding initiatives to date the Board believes that there is a strong possibility that adequate funding will be received by the Company during the first half of 2009.

We have implemented severe budget cuts and our board and senior management have been working with significantly reduced fees and salaries to ensure that money is spent on product development.

However, with maturity date for the Convertible Notes approaching the Company wishes to provide this summary in relation to its funding position.

**\$2M investment by NS Capital**

Earlier this year we have signed a firm commitment letter in relation to A\$2M investment with NS Capital. We have recently advised you in our MTY News that the investment has been delayed.

Most recently NS Capital has expressed continued commitment to subscribing for MTY shares; however MTY has not at this point received the funding and is yet to settle the date for the funding to be received.

Furthermore, due to the upcoming holiday season and the extreme market conditions the Company is concerned that there can be no guarantee MTY will receive this investment in a timely manner, or on the terms approved by shareholders.

**Revenue from partnerships**

The recently acquired Midkine assets have generated strong interest from licensing partners. A large number of partnership discussions are ongoing and the Company will place preference to offers which include a cash consideration. The Company believes that it has a solid prospect of revenue within the next six to twelve months from these licensing activities.

## **Other funding**

Other funding offers for the Company have been received; however some of these are conditional on using the investment for product development only, not for the repayment of the Convertible Notes.

The Company continues to have active discussions for funding both in Australia and overseas. In addition the Company is appointing external advisors to provide capital raising services, particularly in the South East Asian region.

## **Share Purchase Plan**

The Board has recently implemented a Share Purchase Plan; however, there has been a very low rate of shareholder participation in the issue to date.

## **Convertible Notes**

Medical Therapies has Convertible Notes on issue to the value of around \$1M. These will mature on 31 December 2008. Following this maturity date the Company is required to wait ten days for any Notice of Conversion from Noteholders.

The Company is then required to make arrangements for the repayment of the face value of the Notes together with any outstanding interest to those Noteholders that do not convert.

The Company recognizes that conversion may not be an attractive option at current share prices and the majority of Notes will be redeemed and their face value becomes an obligation to pay by MTY.

Whilst the Company is confident of receiving funding in the near future as outlined above, this may not eventuate before the due date for the redemption of the Notes. For this reason the Company will seek approval of Noteholders to amendments which will provide additional time to meet the obligations under the terms of the Notes.

Whilst challenges remain regarding immediate funding, MTY has strong business prospects and an outstanding asset portfolio which should deliver value to shareholders way beyond its purchase price in the future.

End



**About Medical Therapies Limited (ASX: MTY):**

Medical Therapies Limited is a biotechnology company listed on the Australian Stock Exchange. The Company is the owner of the largest intellectual property portfolio around midkine, including several therapeutic uses of the protein and a large number of anti-midkine antibodies and nucleotides. Midkine is a native protein expressed during early cancer formation as well as at the onset of inflammatory processes. Midkine is a significant therapeutic and diagnostic target and Medical Therapies is committed to the commercialisation of these exciting drug candidates. In addition to its in-house therapeutic and diagnostic programs Medical Therapies is actively seeking partnership opportunities for its non-core intellectual property assets.

For further information visit [www.medicaltherapies.com.au](http://www.medicaltherapies.com.au) or contact:

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**Investment in biotechnology companies**

There are a number of inherent risks associated with the research, development and commercialisation of pharmaceutical products. Investment in companies specialising in these activities carry specific risks which are different to those associated with trading and manufacturing businesses. As such, these companies should be regarded as highly speculative. Medical Therapies recommends that investors seek professional advice before making an investment in its shares.

**Forward-looking statement**

This Announcement may contain forward looking statements regarding the Company's business and commercialisation objectives. These statements should be viewed as "at risk" and they are subject to the technical and commercial risks associated with companies engaged in developing pharmaceutical products. Although Medical Therapies may not publish changes to forward looking statements it will release all material information to the market in a timely manner.

