

ASX ANNOUNCEMENT

Convertible Notes Resolved

18 February 2009, Sydney, Australia

Medical Therapies Limited has finalised an agreement with holders of MTY Convertible Notes (Noteholders) which has resulted in the successful amendment of the Convertible Note Deed Poll.

Noteholders will be issued 2.55 ordinary shares and be paid 6.8 cents cash for each Convertible Note currently held. These amendments are to be implemented on or before 25th February 2009.

The Company is raising \$510,000 by the issuing of a combination of ordinary shares and converting notes to fund the payment of the cash component of the Notes.

The ordinary shares will be issued at 3 cents each, which is equivalent to the current share price. The converting notes will be issued at a zero coupon rate and will automatically convert into ordinary shares at 3 cents per share once shareholder approval has been received.

Medical Therapies will call an extraordinary general meeting of shareholders at the earliest possible time to seek approval for the conversion in relation to the Converting Notes.

Explanation

Medical Therapies has previously informed the market that it has Convertible Notes of \$1.1M on issue which matured on 31 December 2008. Following the maturity date the Company was required to repay the face value of the Notes together with any outstanding interest to those Noteholders that would not convert.

The Notes were issued in December 2006 with a face value of 17cents and the right to convert to one ordinary share each. Conversion was not an attractive option at the prevailing share prices, therefore Medical Therapies was expecting that the majority of the Notes were going to be redeemed and their face value had to be repaid.

Even though the Company has been vigorously pursuing funding it has been unable to raise sufficient capital to repay all of the Notes on issue. Hence it was necessary, in order to amend the terms of the Notes, to seek the agreement of holders of 75% or more of the Notes currently on issue.

The Company proposed that Noteholders accept 2.55 ordinary shares and 6.8 cents for each Convertible Note. Acceptance of this offer also extinguished the Company's obligation to pay interest or default interest on the Convertible Notes accruing on or after 1 July 2008.

Holders of 77.2% of the Notes on issue have accepted the Company's proposal. As a result the Convertible Note Deed Poll has been successfully amended and the Company's liability in relation to the Notes will be removed as soon as the ordinary shares are issued and the payments are made as outlined above.

"Our entire team has worked extremely hard to achieve this outcome" said Chairman, Dr David King. "We could not have reached this outcome without the outstanding effort of our recently appointed Company Secretary, Andrew Bursill" he added.

"As a result we will have a very simple capital structure, which is important to be able to raise future development funding" CEO Maria Halasz said.

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 globally. Midkine is a significant novel therapeutic and diagnostic target and MTY owns a large portfolio of patents in relation to therapeutic uses of the protein and its antagonists, a large number of anti-midkine antibodies with their respective hybridoma cell lines as well as anti-midkine nucleotides.

Midkine is a native protein expressed during early cancer formation as well as at the onset of inflammatory processes. Medical Therapies is committed to the commercialisation of its novel drug candidates and diagnostic assets. In addition to its in-house product development program MTY is actively seeking partnership opportunities for its non-core therapeutic and diagnostic assets.

For further information visit www.medicaltherapies.com.au or contact:

Maria Halasz
CEO
M +61 416 008 413

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.

