MEDICAL THERAPIES LIMITED

ABN 69 111 304 119

ASX APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

The following information should be read in conjunction with both the Financial Report for the year ended 30 June 2006 and the Financial Report for the half year ended 31 December 2006 and the attached auditors' review report.

Financial Results

Revenue from ordinary activities for the period	Up 53% to $53,223
Loss from ordinary activities after tax for the period attributable to members	Up 119% to $2,226,446
Net loss after tax for the period attributable to members	Up 119% to $2,226,446

The Company does not propose to pay dividends in the current period.

The losses for the six month period ended 31 December 2006 were significantly larger than the losses for the comparative period ended 31 December 2005 for the following reasons:

- Medical Therapies was listed on the Australian Stock Exchange on 9 December 2005 and Calendar 2006 was the company's first full operational year, which consequently increased operating and marketing expenses, fully funded R&D activities, patents costs and an increase in direct employees.
- At the December 2005 ASX listing, the Company acquired a significant amount of intellectual property from the University of Sydney. The six months to December 2006 includes $154,550 of amortised IP which did not occur in the comparative period.
- The research contracts with the University of Sydney were fully funded subsequent to the listing. The contract expenses in the six months to December 2006 were $417,000 in total which did not occur in the comparative period.
- Significant due diligence expenses were incurred in respect of a potential acquisition, that did not proceed, in the period to December 2006 which did not occur in the comparative period.
- A separation payment of $157,500 was paid in the six months to December 2006 at the time of the resignation of the former CEO.

Net Tangible Assets

	As at 31.12.2006	As at 30.06.2006
Net tangible assets per ordinary share	1.08 cents	4.58 cents

MEDICAL THERAPIES LIMITED
AND CONTROLLED ENTITIES
ACN 111 304 119

INTERIM REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Contents

CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Your directors submit their financial report of the consolidated entity for the half-year ended 31 December 2006.

Directors

The names of directors who held office during or since the end of the half-year are:
Professor Michael Vitale (Appointed 16 December 2004)
Dr Michael Taverner (Appointed 8 October 2004)
Mr Malcom Castle (Appointed 23 February 2006)
Mr Llewellyn Casbolt (Appointed 16 December 2004 and resigned 15 November 2006)

Principal Activities

The principal activities of Medical Therapies Limited are the development and commercialisation of pharmaceutical products to treat various cancers and chronic inflammatory diseases.

Review of Operations

The group incurred an after tax loss attributed to members of $2,226,446 for the six months to 31 December 2006. While the group incurred a loss over the six months, it has made significant progress in the commercialisation of its Technology. The key developments were:

- The Company continued the large scale mouse trial on a topical (cream) therapy for the treatment of skin cancer. This trial is scheduled to finish in February 2007 and the results should be available soon after.
- The Company continued its cardiovascular inflammation preclinical trial through to its completion in late 2006. The final results are due in the first quarter of 2007.
- The company continued to protect its new intellectual property coming out of the research being undertaken at the University of Sydney. Eight provisional patents were lodged in the six months to December 2006.
- The proposed acquisition of Nature Vet did not proceed after the other party terminated the discussions in November 2006 pursuant to the Heads of Agreement.
- In November the Company announced an Operational Review to be conducted by the incoming Interim Chief Executive Officer.
- Mr David James was appointed as Chief Operating Officer in October 2006.
- Mr Llewellyn Casbolt resigned as Managing Director and Chief Executive Officer and as a Director on 15th November 2006.
- Mr Malcom Castle was appointed Interim Chief Executive Officer on 15th November 2006.
- In December 2006, the Company announced that it intended to raise up to $2 million by the private placement and issue of unlisted convertible notes. These notes have a maturity of 31 December 2008 and a face value of 17 cents. The Convertible notes have an interest rate of 8% per annum payable quarterly in arrears. A february 2008 option with an exercise price of 22 cents would be granted for each two c-notes

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

subscribed. The granting of the options is subject to shareholder approval.

Earnings Per Security	**31 Dec 2006**	**31 Dec 2005**
Basic loss per share (cents per share)	4.00 cents	5.33 cents
Diluted loss per share (cents per share)	4.00 cents	5.33 cents

Net Tangible Asset Backing	**31 Dec 2006**	**31 Dec 2005**
Per Ordinary Security (cents per share)	1.08 cents	4.28 cents

Going concern

This financial report has been prepared on the going concern basis.

In the half year to 31 December 2006, the group has incurred losses of $2,226,446 and experienced net cash outflows of $1,706,189 as shown in the income and cashflow statements in this financial report. These results are consistent with the group's strategic objectives and budget estimates.

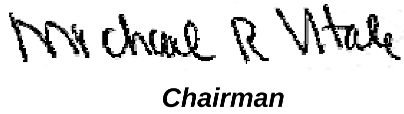
The group is currently seeking additional funding to ensure the availability of working capital for the coming year.

The Directors are of the view that the ability of the company to continue as a going concern is dependent on the successful completion of future capital raisings and or receipt of grants.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors.



Chairman

Dated this 28th Day of February 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the review of Medical Therapies Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Medical Therapies Limited and the entities it controlled during the period.

Andrew Sneddon

Partner
PricewaterhouseCoopers

Sydney
28 February 2007

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Half-year	
	31.12.2006	**31.12.2005**
	$	**$**
Revenue	44,714	16,902
Other Income	8,509	17,899
Consultancy expense	(499,625)	(423,421)
Directors remuneration	(82,917)	(51,000)
Employee benefits expense	(156,735)	-
Share-based compensation	(195,349)	(276,000)
Research and development expense	(474,695)	(90,496)
Professional fees	(359,935)	(91,974)
Depreciation and amortisation expense	(178,763)	(3,074)
Other expenses	(331,650)	(117,457)
Loss before income tax	(2,226,446)	(1,018,621)
Income tax benefit	-	-
Loss for the half-year	(2,226,446)	(1,018,621)
Net loss for the period attributable to members of Medical Therapies	(2,226,446)	(1,018,621)
Earnings per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share (cents per share)	4.00 cents	5.33 cents
Diluted loss per share (cents per share)	4.00 cents	5.33 cents

The above Consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	31.12.2006 $	30.06.2006 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	740,755	2,494,822
Trade and other receivables	154,402	490,263
TOTAL CURRENT ASSETS	895,157	2,985,085
NON-CURRENT ASSETS		
Property, plant and equipment	150,143	86,171
Intangible assets	2,887,249	2,967,715
TOTAL NON CURRENT ASSETS	3,037,392	3,053,886
TOTAL ASSETS	3,932,549	6,038,971
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	426,762	416,657
Borrowings	15,229	108,793
TOTAL CURRENT LIABILITIES	441,991	525,450
TOTAL LIABILITIES	441,991	525,450
NET ASSETS	3,490,558	5,513,521
EQUITY		
Contributed equity	9,237,032	9,228,899
Reserves	763,350	568,000
Accumulated losses	(6,509,824)	(4,283,378)
TOTAL EQUITY	3,490,558	5,513,521

The above Consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	Half-year 31.12.2006 $	31.12.2005 $
Total equity at the beginning of the half-year		**5,513,521**	(171,174)
Loss for the half-year (restated)		**(2,226,446)**	(1,018,621)
Total recognised income and expense for the year		**(2,226,446)**	(1,018,621)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		**8,133**	5,921,223
Director and employee share options	5	**(9,150)**	276,000
The University of Sydney options	5	**204,500**	-
		203,482	6,197,223
Total equity at the end of the half-year		**3,490,558**	5,007,428
Effect of correction of error in previous half year, being a decrease in equity attributable to Medical Therapies Limited		**-**	(144,272)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Half-year	
	31.12.2006	**31.12.2005**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of goods & services tax)	(1,559,589)	(1,470,371)
Interest received	44,714	16,902
Grant received	8,509	19,689
Net cash (outflow) from operating activities	(1,506,366)	(1,433,780)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	-	2,454
Purchase of non-current assets	(88,185)	-
Loan to related entity	-	-
Loan repaid by related entity	-	39,000
Payments for patents and trade marks	(74,084)	(300,000)
Net cash (outflow) from investing activities	(162,269)	(258,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	8,133	3,260,300
Repayment of borrowings	(45,687)	-
Share issue costs	-	(130,077)
Net cash (outflow) / inflow from financing activities	(37,554)	3,130,223
Net (decrease)/increase in cash held	(1,706,189)	1,437,897
Cash at the start of the period	2,446,944	326,028
Cash at the end of the period	740,755	1,763,925

The above Consolidated cash flow statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

NOTE 1: Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Medical Therapies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

As a developing business, the Group has experienced operating losses of $2,226,446 (2005:$1,018,621) and net cash outflows from operating activities of $1,506,366 (2005: $1,433,780).

The ability of the Company to continue as a going concern is dependent upon the Company being successful in negotiating additional debt or equity finance, to fund forecast working capital expenditure.

As a result of these matters, there is significant uncertainty whether the Company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

However, the directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2006. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

NOTE 2: PROFIT FROM ORDINARY ACTIVITIES

All revenue and expense items that are relevant in explaining the financial performance for the interim period have been included in the Consolidated Income Statement.

NOTE 3: DIVIDENDS

No dividends have been declared or paid

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

NOTE 4: CORRECTION OF ERROR

Due to an error in the calculation of current tax payable, the net loss attributable to members of the company for the previous half-year (2005) was understated by $144,472. The error had the effect of overstating trade and other receivables and total assets by $135,986 and understating trade and other payables and total liabilities by $8,486.

The error at 31 December 2005 has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was an increase in the loss per share off $0.0076.

NOTE 5: EQUITY SECURITIES ISSUED

	2006 Shares	2005 Shares	**2006 $**	2005 $
Issues of ordinary shares during the half-year				
Exercise of options issued under the Medical Therapies Employee Option Plan	**40,664**		**8,133**	
Transfer from share-based payments reserve				
Capital issued during year		34,319,357		6,051,300
	40,664	34,319,357	**8,133**	6,051,300

NOTE 6: SEGMENT INFORMATION

The primary business segment and the primary geographic segment within which the consolidated entity operates are biotechnology and Australia respectively. For primary reporting purposes, the entity operates in one business segment and one geographic segment as described.

NOTE 7: CONTINGENT LIABILITIES

The parent entity and Group had no significant contingent liabilities at 31 December 2006 or at 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

NOTE 8: EVENTS OCCURING AFTER THE BALANCE SHEET DATE

As of the date of this report, the Company is raising up to $2 million by the private placement and issue of unlisted convertible notes. These notes that have a maturity of 31 December 2008 have a face value of 17 cents. The Convertible notes have an interest rate of 8% per annum payable quarterly in arrears. A February 2008 option with an exercise price of 22 cents is granted for each two c-notes subscribed. The granting of the options is subject to shareholder approval.

As of 23 February 2007, $1,245,352 has been received from investors.

Except as disclosed in the Directors report, there have been no subsequent events arising since 31 December 2006 that the Directors are aware of that would require disclosure in this report.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 10 are in accordance with the *Corporations Act 2001,* including:

 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

 (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Medical Therapies Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Michael R Vitale

Chairman

Sydney

Dated this 28th Day of February 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of Medical Therapies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Medical Therapies Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Medical Therapies Limited Group (the consolidated entity). The consolidated entity comprises both Medical Therapies Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medical Therapies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PRICEWATERHOUSECOOPERS

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medical Therapies Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1 to the financial statements, there is significant uncertainty whether Medical Therapies Limited Group will be able to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Sneddon

Andrew Sneddon
Partner

Sydney
28 February 2007