

# MEDICAL THERAPIES LIMITED

ABN 69 111 304 119

## ASX APPENDIX 4D RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

The following information should be read in conjunction with both the Financial Report for the year ended 30 June 2007 and the Financial Report for the half year ended 31 December 2007 and the attached auditors' review report.

### Financial Results

Revenue from ordinary activities for the period	Decreased 9 % to \$40,557
Loss from ordinary activities after tax for the period attributable to members	Decrease 58 % to (\$933,419)
Net loss after tax for the period attributable to members	Decrease 58 % to (\$933,419)

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

The Group incurred an after tax loss attributed to members of \$933,419 for the six months to 31 December 2007. While the Group incurred a loss over the six months, it has made significant progress in its business as follows:

### Commercialisation of lead compound, Cuprindo™

- In preparation for human clinical trials under an IND the first 1kg batch of Cuprindo™ was manufactured in a cGMP environment.
- A pharmacokinetic study was completed to establish systemic absorption characteristics of oral Cuprindo™ in rats.
- A heat escalation study was also carried out by our cGMP collaborators confirming that Cuprindo™ is highly heat tolerant and can safely be formulated into capsules, suppositories and topical creams and lotions.
- A Phase 1 human clinical trial using Cuprindo™ suppositories has now been completed in healthy volunteers. Preliminary results from patient diaries show that Cuprindo™ is safe and well tolerated. This was confirmed by post-trial colonoscopy showing no rectal ulceration or inflammation. Results of the biochemical analysis of trial assays are expected in March.
- Submission has been made for human ethics committee approval to conduct phase 2 efficacy studies of proctitis patients using Cuprindo™ suppositories. The trials will be conducted at the Centre for Digestive Diseases and expected to commence in 2Q2008.

### Settlement of dispute with The University of Sydney

- On 25 January 2008 the Company entered into a settlement agreement with The University of Sydney for the resolution of the dispute between the parties.
- The basis of the settlement agreement is confidential. It extends to the work performed under the research agreements, the amounts charged by The University of Sydney and the MTY shares owned by The University of Sydney pursuant to the Intellectual Property Assignment Deed.

- All collaborative and research agreements have now been terminated between The University of Sydney and MTY and there will be no further basic research conducted by the researchers at the university on the company's behalf.

### **Progress on acquisition targets**

The company is in negotiations to acquire late stage clinical products as well as technology platforms which could both add significant value to the company. A number of technologies have been identified and evaluated that could not only enhance our existing portfolio but give us a substantial new direction as well as early commercialisation and cash flow opportunity.

### **Net Tangible Assets**

	As at 31.12.2007	As at 30.06.2007
Net tangible assets per ordinary share	(1.20) cents	(1.96) cents

**MEDICAL THERAPIES LIMITED  
AND CONTROLLED ENTITIES  
ACN 111 304 119**

**INTERIM REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

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**MEDICAL THERAPIES LIMITED  
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Your directors present their Report on the consolidated entity consisting of Medical Therapies Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

**DIRECTORS**

The following persons were directors of Medical Therapies Limited during the whole of the half-year and up to the date of this report:

- Professor Michael Vitale (Appointed 16 December 2004, resigned 18 January 2008)
- Dr David King (Appointed 18 January 2008)
- Dr Michael Taverner (Appointed 8 October 2004, resigned 15 February 2008)
- Ms Maria Halasz (Appointed 16 April 2007, resigned and re-appointed 19 November 2007)
- Dr Stephanie Williams (Appointed 15 February 2008)

**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 \$933,419 for the six months to 31 December 2007. While the Group incurred a loss over the six months, it has made significant progress in its business as follows:

**Commercialisation of lead compound, Cuprindo™**

- In preparation for human clinical trials under an IND the first 1kg batch of Cuprindo™ was manufactured in a cGMP environment.
- A pharmacokinetic study was completed to establish systemic absorption characteristics of oral Cuprindo™ in rats.
- A heat escalation study was also carried out by our cGMP collaborators confirming that Cuprindo™ is highly heat tolerant and can safely be formulated into capsules, suppositories and topical creams and lotions.
- A Phase 1 human clinical trial using Cuprindo™ suppositories has now been completed in healthy volunteers. Preliminary results from patient diaries show that Cuprindo™ is safe and well tolerated. This was confirmed by post-trial colonoscopy showing no rectal ulceration or inflammation. Results of the biochemical analysis of trial assays are expected in March.
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**Settlement of dispute with The University of Sydney**

- On 25 January 2008 the company entered into a settlement agreement with The University of Sydney for the resolution of the dispute between the parties.
- The basis of the settlement agreement is confidential. It extends to the work performed under the research agreements, the amounts charged by The University of Sydney and the Medical Therapies shares owned by The University of Sydney pursuant to the 2005 Intellectual Property Assignment Deed.
- All collaborative and research agreements have now been terminated between The University of Sydney and Medical Therapies and there will be no further basic research conducted by the researchers at The University on the company's behalf.

**Progress on acquisition targets**

The company is in negotiations to acquire late stage clinical products as well as technology platforms which could both add significant value to the company. A number of technologies have been identified and evaluated that could not only enhance our existing portfolio but give us a substantial new direction as well as early commercialisation and cash flow opportunity.

<b>Earnings Per Security</b>	<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
Basic loss per share (cents per share)	<b>1.47 cents</b>	4.00 cents
Diluted loss per share (cents per share)	<b>1.47 cents</b>	4.00 cents
<b>Net Tangible Asset Backing</b>	<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
Per Ordinary Security (cents per share)	<b>(1.20) cents</b>	1.08 cents

**Going concern**

This Report has been prepared on the going concern basis.

In the half year to 31 December 2007, the Group has incurred losses of \$933,419, experienced net cash outflows of \$661,127 and net current liabilities of \$876,469 as shown in the income and cashflow statements and balance sheet 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.

**MEDICAL THERAPIES LIMITED  
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**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is set out on page 6.

This Report is made in accordance with a resolution of directors.



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**Chairman**

Dated this 29th Day of February 2008

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## Auditor's Independence Declaration

As lead auditor for the review of Medical Therapies Limited for the half year ended 31 December 2007, 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.



Mark Dow  
Partner  
PricewaterhouseCoopers

Sydney  
29 February 2008



**MEDICAL THERAPIES LIMITED  
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**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	<b>Half-year</b>	
	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>\$</b>	<b>\$</b>
Revenue	<b>40,557</b>	44,714
Other Income	<b>335,515</b>	8,509
Consultancy expense	<b>(115,824)</b>	(499,625)
Directors remuneration	<b>(65,400)</b>	(82,917)
Employee benefits expense	<b>(355,605)</b>	(156,735)
Share-based compensation	<b>(122,578)</b>	(195,349)
Research and development expense	<b>45,514</b>	(474,695)
Professional fees	<b>(87,510)</b>	(359,935)
Depreciation and amortisation expense	<b>(185,777)</b>	(178,763)
Patent costs	<b>(59,010)</b>	(44,095)
Occupancy costs	<b>(37,077)</b>	(37,175)
Finance costs	<b>(102,806)</b>	(347)
Other expenses	<b>(223,418)</b>	(250,033)
Loss before income tax	<b>(933,419)</b>	(2,226,446)
Income tax benefit	<b>-</b>	-
Loss for the half-year	<b>(933,419)</b>	(2,226,446)
Net loss attributable to equity holders of Medical Therapies Limited	<b>(933,419)</b>	(2,226,446)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>		
Basic loss per share (cents per share)	<b>1.47 cents</b>	4.00 cents
Diluted loss per share (cents per share)	<b>1.47 cents</b>	4.00 cents

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

**MEDICAL THERAPIES LIMITED  
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**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	31.12.2007	30.06.2007
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,181,185	1,842,312
Trade and other receivables	94,234	110,348
<b>TOTAL CURRENT ASSETS</b>	<b>1,275,419</b>	<b>1,952,660</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	103,860	135,085
Intangible assets	2,472,800	2,627,350
<b>TOTAL NON CURRENT ASSETS</b>	<b>2,576,660</b>	<b>2,762,435</b>
<b>TOTAL ASSETS</b>	<b>3,852,079</b>	<b>4,715,095</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	480,680	1,483,254
Borrowings	1,636,028	-
Provisions	35,180	22,125
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,151,888</b>	<b>1,505,379</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	-	1,676,754
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>-</b>	<b>1,676,754</b>
<b>TOTAL LIABILITIES</b>	<b>2,151,888</b>	<b>3,182,133</b>
<b>NET ASSETS</b>	<b>1,700,191</b>	<b>1,532,962</b>
<b>EQUITY</b>		
Contributed equity	10,353,878	9,375,808
Reserves	1,117,892	995,314
Accumulated losses	(9,771,579)	(8,838,160)
<b>TOTAL EQUITY</b>	<b>1,700,191</b>	<b>1,532,962</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	<b>Half-year</b>	
	Notes <b>31.12.2007</b>	31.12.2006
	\$	\$
<b>Total equity at the beginning of the half-year</b>	<b><u>1,532,962</u></b>	<b><u>5,513,521</u></b>
Loss for the half-year	<b><u>(933,419)</u></b>	<b><u>(2,226,446)</u></b>
<b>Total recognised income and expense for the year</b>	<b><u>(933,419)</u></b>	<b><u>(2,226,446)</u></b>
<b>Transactions with equity holders in their capacity as equity holders:</b>		
Contributions of equity, net of transaction costs	<b>978,070</b>	8,133
Director and employee share options	4 <b>18,078</b>	(9,150)
The University of Sydney options	4 <b>104,500</b>	204,500
	<b><u>1,100,648</u></b>	<b><u>203,482</u></b>
<b>Total equity at the end of the half-year</b>	<b><u>1,700,191</u></b>	<b><u>3,490,558</u></b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	31.12.2007	31.12.2006
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees (inclusive of goods & services tax)	(1,227,098)	(1,559,589)
R&D tax rebate received	304,293	-
Interest received	40,557	44,714
Grant received	34,138	8,509
	<hr/>	<hr/>
Net cash (outflow) from operating activities	(848,110)	(1,506,366)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of non-current assets	-	(88,185)
Payments for patents and trade marks	-	(74,084)
	<hr/>	<hr/>
Net cash (outflow) from investing activities	-	(162,269)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	311,451	8,133
Repayment of borrowings	-	(45,687)
Interest paid on convertible note	(71,588)	-
Share issue costs	(52,880)	-
	<hr/>	<hr/>
Net cash inflows (outflows) from financing activities	186,983	(37,554)
Net decrease in cash and cash equivalents	(661,127)	(1,706,189)
Cash and cash equivalents at the beginning of the half-year	1,842,312	2,446,944
	<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	1,181,185	740,755

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

**MEDICAL THERAPIES LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**NOTE 1: Basis of preparation of half-year report**

This general purpose Financial Report for the interim half-year reporting period ended 31 December 2007 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 2007 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 **\$933,419** (2006:\$ 2,226,446), net cash outflows from operating activities of **\$848,110** (2006: \$1,506,366) and net current liabilities of **\$876,469**.

The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Company being successful in negotiating additional 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 2007. 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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**NOTE 4: EQUITY SECURITIES ISSUED**

	2007 Shares	2006 Shares	2007 \$	2006 \$
<b>Issues of ordinary shares during the half-year</b>				
Exercise of options issued under the Medical Therapies Employee Option Plan	-	40,664	-	8,133
Exercise of converting note options	<b>588,236</b>	-	<b>100,000</b>	-
Exercise of listed options	<b>69,997</b>	-	<b>13,999</b>	-
Capital issued during year	<b>7,973,469</b>	-	<b>916,950</b>	-
Share issue costs	-	-	<b>(52,880)</b>	-
	<b>8,631,702</b>	40,664	<b>978,070</b>	8,133

**NOTE 5: 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 6: CONTINGENT LIABILITIES**

The parent entity and Group had no significant contingent liabilities at 31 December 2007 or at 30 June 2007.

**NOTE 7: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

On 25 January 2008 the Company entered into a settlement agreement with The University of Sydney for the resolution of the dispute between the parties. The balance sheet has been adjusted to reflect the settlement agreement between The University of Sydney and Medical Therapies.

Except as disclosed above and in the Directors report, there have been no subsequent events arising since 31 December 2007 that the Directors are aware of that would require disclosure in this report.

**MEDICAL THERAPIES LIMITED  
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**DIRECTORS' DECLARATION**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 12 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 2007 and of its performance, 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.



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**Chairman**

Sydney

Dated this 29th Day of February 2008

## 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 2007, 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 establishing 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 2007 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.

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.

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of Medical Therapies Limited (the Company) for the half-year ended 31 December 2007 included on Medical Therapies Limited web site. The company's directors are responsible for the integrity of the Medical Therapies Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*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 2007 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.

**Material Uncertainty Regarding Continuation as a Going Concern**

Without qualification to our opinion, we draw attention to Note 1 in the financial statements which indicates that the Group incurred a net loss of \$933,419 and operating cash outflow of \$848,110 during the half-year ended 31 December 2007. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

  
PricewaterhouseCoopers

  
Mark Dow  
Partner

Sydney  
29 February 2008