

6 December 2006

Dear Shareholder,

As we approach our first anniversary since listing on the Australian Stock Exchange, I am pleased to report to you the latest news from Medical Therapies.

#### Annual General Meeting

As you know, last week Medical Therapies held its 2006 Annual General Meeting. The results of that meeting are on our website – [www.medicaltherapies.com.au](http://www.medicaltherapies.com.au) - and we encourage you to visit the site to review both the Chairman's Address and the Interim CEO's Address in full. In addition, we have added a new presentation about the company and our product development program for you.

#### Capital Raising

At the AGM, I mentioned that we were about to undertake a capital raising of up to \$2 million to further fund our product development program. This capital raising will involve the issue of convertible notes to sophisticated and professional investors.

The face value of each of the convertible notes will be 17 cents. These convertible notes will be unsecured, have a maturity of 31 December 2008 and can each be converted into one ordinary share.

Further, the convertible notes will earn interest at a rate of 8% per annum and interest will be paid quarterly in arrears.

For every two convertible notes an investor buys, the investor will be granted an option at no charge. These options have an exercise price of 22 cents and an expiry date of 29 February 2008. The issue of the options to the investors will be subject to shareholder approval at the company's next general meeting of shareholders.

For further information please contact either Greg Allen, Fresh Capital Pty Ltd at [g.allen@freshcapital.com.au](mailto:g.allen@freshcapital.com.au) or Kylie Jackson, Medical Therapies Limited on (02) 9889 1222.

#### Commercial Ready Grant Application

As advised last May in the first Shareholder Bulletin, the company lodged a Commercial Ready Grant Application with AusIndustry. Unfortunately, we have been advised that our application has been unsuccessful.

We intend submitting a grant application for a new project in March 2007.

### Progress on Patent Protection

Since our last Shareholder Bulletin, your company has continued its program of protecting its intellectual property through patenting. In September the company filed 8 new provisional patent applications covering the recent work of our scientific research team who work under contract at the University of Sydney. The Board believes that patent protection is an investment in protecting the company's growth strategy going forward.

### Professor Mike Vitale

We congratulate the Chairman of Medical Therapies, Professor Mike Vitale, who has just been appointed Professor at Monash University in the Faculty of Medicine, Nursing and Health Sciences and also Director of Commercialisation in the Monash Asia-Pacific Centre for Science and Wealth Creation.

Two weeks ago Mike Vitale presented a paper at the 2006 AusBiotech Convention. The paper's title was "Disclosure, Share Prices and Capricious Behaviour".

### Latest Trial Results

In case you missed the news, in late October we released our latest positive half-way point results in our pre-clinical study examining the effectiveness of topical copper-indomethacin and zinc indomethacin chemo-preventive cream therapies. One of our lead compounds – Zinc Indomethacin - **exhibited significantly positive results in the prevention of skin cancer - reducing the onset and number of skin cancers, with the rate of tumours HALF that of the controls.** Our newly appointed Chief Operating Officer, David James will continue working with our research team on the development of this compound.

We look forward to reporting further results of our research and product development program to you in the year ahead.

If you as a shareholder have any questions please call Kylie Jackson, Business Manager and Investor Relations or myself on (02) 9889 1222.

May I close by taking the opportunity for wishing you all the best over the coming holiday season and for the New Year.

Sincerely,



Malcom Castle  
Interim CEO

