

COMMENTARY

Post balance event

Following the balance date of 31 December 2008 the Company has received an R&D Tax Offset refund of \$133,900 from the Australia Taxation Office.

Normalising cash outflows

The Company's operating cash outflow for the quarter was \$309,000, which represents a 29% drop compared with the previous quarter. Whilst this reduction in spending means that most research and development activities have been halted, it does include patent costs and has allowed the Company to preserve the value of its recently acquired Midkine related assets through the diligent maintenance and prosecution of its high value patent portfolio.

Mergers and acquisitions

The Company continues to actively pursue mergers and acquisitions which have the potential to deliver value to shareholders. These transactions could provide the requisite development capital to achieve optimum return on the company's assets. However, as noted in our shareholder update in December, these negotiations are likely to take 6-12 months and none of these have progressed to a complete proposal

\$2M funding commitment from NS Capital

Since our last update to shareholder on 15th December 2008 we have received further confirmation of the intention to invest and have been advised that the delay in this funding is due to current market conditions.

Other funding

The Company is progressing with the evaluation of a number of funding options, and with pursuing alternatives that may deliver better value to shareholders. None of these options have progressed to completion as of today and the Board and management continues to negotiate the best option for all stakeholders.

Convertible Notes

Medical Therapies has Convertible Notes on issue to the value of approx \$1.1M which have matured on 31 December 2008. The Company is currently negotiating with note holders to amend the terms of the Notes to provide additional time to meet the obligations under the Notes.

+ See chapter 19 for defined terms.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

MEDICAL THERAPIES LIMITED

ABN

69 111 304 119

("Quarter ending")

31 DECEMBER 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current Qtr \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(160)	(373)
(b) advertising and marketing	-	-
(c) research and development	(5)	(5)
(d) leased assets	-	-
(e) other working capital	(144)	(389)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	26
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)- grant received	-	-
Net operating cash flows	(309)	(742)

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

		Current Qtr \$A'000	Year to date (3 months) \$A'000
1.8	Net operating cash flows (carried forward)	(309)	(309)
Cash flows related to investing activities			
1.9	Payment for acquisition of:	-	-
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	(7)
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	-	(7)
1.14	Total operating and investing cash flows	(309)	(749)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	21	21
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	(19)	(19)
1.19	Dividends paid	-	-
1.20	Other - Interest paid on converting notes	-	(32)
	Net financing cash flows	2	(32)
	Net increase (decrease) in cash held	(307)	(779)
1.21	Cash at beginning of the quarter	490	962
1.22	Exchange rate adjustments to item 1.2	-	-
1.23	Cash at end of three months	183	183

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Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Three Months \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	106
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Salary to managing director and directors. The \$109k is included in 1.2 (a)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	13	13
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Three Months \$A'000	YTD \$A'000
4.1 Cash on hand and at bank	151	151
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	32	32
Total: cash at end of three months (item 1.23)	183	183

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
 Company Secretary

Date: 30 January 2009

Print name: Andrew Bursill

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Quarterly report for entities
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Notes

1. The monthly report provides a basis for informing the market how the entity's activities have been financed for the past month and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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