

17 November 2008

Dear Shareholder

## Invitation to Participate in Shareholder Share Purchase Plan

The Board of Directors of Medical Therapies Limited (**Medical Therapies** or **Company**) has approved the introduction of a Shareholder Share Purchase Plan (**Plan**). The Plan entitles Eligible Shareholders in the Company, irrespective of the size of their shareholding, to purchase up to **A\$5,000** worth of ordinary fully paid shares in the Company (**Shares**) at a price determined by the Board of Directors within certain parameters, free of brokerage and commission (**Offer**). No shareholder approval is required to implement the Plan.

### Share Purchase Plan

The Board is pleased to offer to all Eligible Shareholders this opportunity to participate in the Plan. Details of the Offer are set out in this letter and the enclosed Terms and Conditions together with an Entitlement and Acceptance Form.

### Purchase Price

The purchase price of the Medical Therapies Shares is **4 cents** per share, being a price which is a 20% discount to the last recorded closing price of the Shares on ASX on 20 October 2008 during the thirty (30) days prior to the date of this Offer, which is also less than the highest closing price (market price) during that 30 day period. The price has been chosen to provide shareholders with a discount to the market price in accordance with regulatory requirements which permit share purchase plans without the issue of a prospectus. The Board of Directors has chosen the discount price of **4 cents** as an appropriate balance between providing shareholders with a discount and maximising proceeds of the raising to the Company.

### Current Projects

Details of the Company's current activities are set out in the announcements made by Medical Therapies to ASX, in particular the latest MTY News. All of the Company's announcements are available from the ASX or Medical Therapies' Website ([www.medicaltherapies.com.au](http://www.medicaltherapies.com.au)).

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WEB [www.medicaltherapies.com.au](http://www.medicaltherapies.com.au)

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Level 28, Shinagawa Intercity Tower A  
2-15-1, Konan, Minato-ku  
Tokyo 108-6028  
T +81 3 6717 4503 F +81 3 6717 4545

## **Eligible Shareholders**

The right to participate in the Offer under the Plan is available exclusively to shareholders who are registered as holders of Shares in Medical Therapies at 5pm (NST) on Friday 14 November 2008 and whose registered address is in Australia (**Eligible Shareholders**).

## **Use of Funds**

The funds raised under the Plan will be used by the Company to continue the development and commercialisation of the Midkine intellectual property portfolio.

## **Subscription and Application Procedure**

If you would like to participate in the Offer, please return your completed Entitlement and Acceptance Form (enclosed), together with your cheque for the total purchase price for the number of Shares you wish to acquire, on or before the **closing date of 5pm (NST) Friday, 5 December 2008**.

Please note the maximum investment per shareholder is \$5,000 and the minimum investment per shareholder is \$2,000. The maximum investment any shareholder may apply for will be A\$5,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account).

The number of Shares to which you are entitled will be calculated by dividing the subscription amount you have elected by the purchase price per share. Any surplus application monies will be returned to the shareholder without interest.

## **Additional Information and Important Dates**

The Offer cannot be transferred and the Directors of the Company reserve the right to reject any application over \$5,000. Shares allotted under the Plan will be issued no later than three (3) business days after the closing date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.

This Offer of Shares under the Plan is limited to a total of 37,438,607 Shares. The Directors may, in their absolute discretion, scale-back all applications, on a pro-rata basis, to this maximum.

If the Company rejects or partially rejects an application or purported application, the Company will return to the shareholder the relevant application monies, without interest.

The last recorded closing price of the Shares traded on ASX was **5 cents**. The market price of the Shares in the Company may rise and fall between the date of the Offer and the date that any Shares are allotted to you as a result of your

acceptance of this Offer. This means that the subscription price you pay for the Shares may exceed the market price of the Shares at the date of allotment of Shares under this Offer.

The Board recommends that you obtain your own financial advice in relation to the decision whether or not to accept this Offer in light of your personal circumstances.

### **Indicative Timetable**

Record Date (11pm NST)	Friday, 14 November 2008
Announcement of Plan	Monday, 17 November 2008
Opening date of Offer	Wednesday, 19 November 2008
Closing date of Offer (5:00 pm NST)	Friday, 5 December 2008
Issue of Shares under the Plan	Wednesday, 10 December 2008
Dispatch date for holding statements	Wednesday, 10 December 2008
Expected date for quotation of Shares on ASX	Wednesday, 17 December 2008

These dates are indicative only. The Company may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Entitlement and Acceptance Forms as early as possible.

If you wish to participate in the Share Purchase Plan, please ensure that you return the completed "Entitlement and Acceptance Form" prior to the closing date of the Offer. You should check your holding statement before trading shares issued to you under this Offer, bearing in mind that there are scale back provisions in the Offer. Any trading before the receipt of a holding statement is at your own risk.

Should you wish to discuss any information contained in this letter further, do not hesitate to contact me on (02) 9299 0311.

Yours faithfully

**Medical Therapies Limited**



**MARIA HALASZ**  
CEO and Managing Director

**MEDICAL THERAPIES LIMITED**  
**ABN 69 111 304 119**  
**Share Purchase Plan - Terms and Conditions**

**Purpose**

The purpose of the Share Purchase Plan (**the Plan**) is to offer shareholders of Medical Therapies Limited (**Medical Therapies**) the opportunity to acquire additional fully paid ordinary shares in the Company (**Medical Therapies Shares**) up to a maximum of A\$5,000 in any 12 month period at a discount to the market price of Medical Therapies Shares on the financial market operated by ASX Limited (**ASX**) without the need to pay brokerage costs and without the need for Medical Therapies to issue a Prospectus, upon such terms and conditions as the board of directors of Medical Therapies, in its absolute discretion, sees fit.

**Shareholders eligible to participate**

Eligible shareholders of Medical Therapies Shares that are registered with an Australian address at the relevant record date may participate in the Plan. Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these terms and conditions. Offers made under the Plan are not renounceable (i.e. eligible shareholders may not transfer their rights to any Medical Therapies Shares offered under the Plan).

An offer may, at the discretion of the directors of Medical Therapies, be made under the Plan at intervals which are not less than those that are consistent with regulatory requirements or, if there are no such requirements, then not less than 12 month intervals from the date of the last announcement of an Offer under this Plan. The maximum amount, which any shareholder may subscribe for in any consecutive 12 month period, is A\$5,000 (or any higher amount permitted under regulatory requirement from time to time). The directors of Medical Therapies may also determine in their discretion the minimum amount for participation, the multiple of Medical Therapies Shares to be offered under the Plan, the maximum number of shares offered under the Plan, and the period an offer under the Plan is available to eligible shareholders.

**Price of Medical Therapies Shares**

The price of Medical Therapies Shares to be issued under the Plan will be such price as the directors may determine and being a price that is consistent with regulatory requirements.

**Applications and Notices**

At the discretion of the directors, Medical Therapies will send eligible shareholders a letter of offer and acceptance procedures, inviting them to subscribe for Medical Therapies Shares under the Plan, and accompanied by the terms and conditions of the Plan and an entitlement & acceptance form. Applications will not be accepted after the closing date of an offer. Over subscriptions to an offer may be refunded without interest.

Notices and statements made by Medical Therapies to participants may be given in any manner prescribed by its Constitution.

**Underwriting**

An Offer under the Plan may be underwritten and any underwriters and/or sub-underwriters may be issued with Shares under the Plan where one or more of the eligible shareholders fail to subscribe for the maximum number of shares available to them under the Offer. The Directors may pay a broker's fee to Underwriters.

**Issue of Medical Therapies Shares**

Medical Therapies Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of Medical Therapies in the relevant Offer.

Medical Therapies Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in Medical Therapies from the date of issue.

Shareholding statements or CHESS notification will be issued in respect of all Medical Therapies Shares issued under the Plan. Medical Therapies will, promptly after the issue of Medical Therapies Shares under the Plan, make application for those Medical Therapies Shares to be listed for quotation on the ASX.

**Modification and Termination of the Plan**

Medical Therapies may modify or terminate the Plan at any time.

Medical Therapies will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, Medical Therapies may issue to any person fewer Medical Therapies Shares than the person applied for under the Plan if the issue of the Medical Therapies Shares applied for would contravene any applicable law or the Listing Rules of ASX.

#### **Dispute Resolution**

Medical Therapies may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or Medical Therapies Shares. The decision of Medical Therapies in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

Medical Therapies reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of Medical Therapies under these terms and conditions may be exercised by the directors of Medical Therapies or any delegate of the directors of Medical Therapies.

#### **Questions and Contact Details**

If you have any questions regarding the Share Purchase Plan or how to deal with an Offer, please contact your stockbroker or professional adviser or the Chief Executive Officer on (02)(9299 0311).

MEDICAL THERAPIES LIMITED  
ABN 69 111 304 119

Shareholder Share Purchase Plan  
Entitlement and Acceptance Form  
Offer Closes 5.00pm (NST) Friday 5 December 2008

---- DPID ----

<Address Line 1>  
<Address Line 2>  
<Address Line 3>  
<Address Line 4>  
<Address Line 5>

< BARCODE OF SRN / HIN >

Record Date: 11pm (NST) on Friday, 14 November  
Holder Identification Number (HIN): X0000000000

Application for Shares

I/we being the above mentioned, being an Australian registered ordinary shareholder(s) in Medical Therapies Limited as at the record date of 11pm (NST) on Friday, 14 November 2008, hereby apply for the number of ordinary shares in Medical Therapies indicated below at the purchase price per share of 4 cents per share in accordance with the offer letter dated Monday, 17 November 2008 (Offer) and the Terms and Conditions of the Medical Therapies Shareholder Share Purchase Plan. I/we confirm that the total cost of shares purchased by us (including through joint holding(s), multiple share accounts or any holding in which I/we have a beneficial interest/s) in the 12 months prior to this application, does not exceed \$5,000 in accordance with the Applicants Certification and Confirmation.

**By accepting the Offer you agree to be bound by the Terms and Conditions of the Medical Therapies Shareholder Share Purchase Plan and the Constitution of Medical Therapies.**

To participate in the Shareholder Share Purchase Plan shareholders must select **only one** of the following two options. Please mark the selected box.

**1** MAXIMUM APPLICATION



\$5,000

**2** SELECTED AMOUNT – PLEASE COMPLETE



\$:.....(minimum of \$2,000)

Please complete the following cheque payment details:

Drawer	Bank	Branch or BSB	Amount

Cheques should be made payable to "Medical Therapies Limited" and crossed "Not Negotiable".

Telephone number where we may contact you during business hours. (\_\_\_\_) \_\_\_\_\_

Contact Name: \_\_\_\_\_

**Offer Closes 5.00pm (NST) Friday, 5 December 2008**

- 1 By lodging this Entitlement and Acceptance Form you certify that the aggregate of the application price for the following does not exceed \$5,000:
- (a) the Medical Therapies ordinary shares that are the subject of this application; and
  - (b) any other Medical Therapies ordinary shares applied for by you under the Plan (or any similar arrangement in the 12 months prior to the application), whether:
    - (i) in your own right, or
    - (ii) jointly with one or more persons, or
    - (iii) in your capacity as a beneficiary (as defined below),

but not including in your capacity as a trustee or nominee where it is expressly noted on Medical Therapies' register of members that your shareholding is held on account of another person.

If 2 or more persons are recorded in the register of members as jointly holding the Medical Therapies shares to which this entitlement relates, they are taken to be a single registered holder and this certificate given by any of them is taken to be given by all of them.

If a trustee or nominee is expressly noted on Medical Therapies' register of members as holding the shares to which this entitlement relates on account of another person (the "beneficiary"), this certification and confirmation is taken to be given by the beneficiary in respect of him/her/itself (and not the trustee or nominee).

2. By lodging this form with your cheque you confirm that you have read, understood and agreed to the terms and conditions of the Plan.

Notes

- The terms and conditions of the Shareholder Share Purchase Plan accompanying the enclosed letter from the Managing Director should be read carefully.
- No priority will be afforded to applications on the basis of the date of receipt of such applications.
- Payments may only be made by cheque or bank draft in Australian dollars and drawn on an Australian branch of a financial institution.
- Cheques will be deposited on their day of receipt. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Receipts for payment will not be issued.
- Cash payments will not be accepted via the mail.
- If you wish to accept this offer please return this Entitlement and Acceptance Form duly completed together with a cheque for the subscription amount, in the envelope provided, **by 5.00pm (NST) on Friday, 5 December 2008.**
- Medical Therapies may reject an acceptance of this offer, in its absolute discretion, if this form is not completed in accordance with this offer, is incomplete or if the exact amount payable is not tendered with this form.

This offer is not renounceable and as such may only be transferred after the shares are allotted.

**QUESTIONS AND CONTACT DETAILS**

If you have any questions regarding the Share Purchase Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or Medical Therapies' Chief Executive Officer, Maria Halasz on (02) 9299 0311.

Addresses:

By Post	By Hand
GPO Box 3993, SYDNEY, NSW 2001	Level 7, 207 Kent Street, SYDNEY NSW 2000

**Return this form and cheque in the enclosed business reply paid envelope provided.**

**Offer Closes 5.00pm (NST) Friday, 5 December 2008**