MEDICAL THERAPIES LIMITED
ACN 111 304 119

SHORT FORM PROSPECTUS

For a non-renounceable rights issue of one (1) Option for every three (3) Shares held by Shareholders registered at 5.00pm (WST) on 21 March 2006 at an issue price of 0.5 cents per Option (**Rights Issue**), exercisable at 20 cents.

Important Notice

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to another document the information of which is deemed to be incorporated in this Prospectus.

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IMPORTANT NOTICE

This Prospectus is dated 9 March 2006.

A copy of this Prospectus was lodged with the ASIC on 9 March 2006. The ASIC takes no responsibility for the contents of this Prospectus.

No Options will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made within seven (7) days after the date of this Prospectus for permission for the Options offered by this Prospectus to be listed for Quotation.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Options. There are risks associated with an investment in Medical Therapies Limited and the Options offered under this Prospectus must be regarded as a speculative investment. The Options offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Options.

Details of the definitions and abbreviations used in this Prospectus are set out in section 8.

Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with section 712 of the Corporations Act. This means this Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in the IPO Prospectus lodged with the ASIC on 12 September 2005.

In referring to the IPO Prospectus, the Company:

(a) identifies the IPO Prospectus as being relevant to the offer of Options under this Prospectus and containing information that will provide investors and their professional advisers with information to assist them in making an informed assessment of:

   (i) the rights and liabilities attaching to:

      (A) the Options; and

      (B) the underlying Shares;

   (ii) the capacity of the Company to issue the underlying Shares; and

   (iii) the assets and liabilities, financial position and performance, profits and losses and prospects of Medical Therapies;

(b) refers investors and their professional advisers to section 4 of this Prospectus which summarises the information in the IPO Prospectus deemed to be incorporated in this Prospectus;

(c) informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus by contacting the Company at its registered office during normal business hours during the Offer Period; and

(d) advises that the information in the IPO Prospectus will be primarily of interest to investors and their professional advisers or analysts.

Timetable and Important Dates

EVENT	DATE
Prospectus lodged with the ASIC and ASX/ Option holders informed of Rights Issue	9 March 2006
Notice in relation to the Rights Issue dispatched to Shareholders	14 March 2006
Shares quoted on an "ex" basis	15 March 2006
Record Date for determining entitlements under Rights Issue	21 March 2006
Despatch Prospectus / Opening Date	22 March 2006
Closing Date	5 April 2006
Options quoted on a deferred settlement basis	6 April 2006
ASX informed of under subscriptions	10 April 2006
Deferred settlement trading ends, holding statements dispatched and normal trading commences	13 April 2006

* These dates are indicative only. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary.

1. CORPORATE DIRECTORY

Directors

Professor Michael Vitale (Chairman)
Llewellyn Casbolt (Managing Director and Chief Executive Officer)
Dr Michael Taverner (Non-Executive Director)
Mr Malcom Castle (Non-Executive Director)

Company Secretary

Ian Gilmour

Australian Company Number

111 304 119

Registered and Principal Office

Level 11
91 York Street
SYDNEY NSW 2000

Telephone: (02) 9299 0050
Facsimile: (02) 9299 1193

Auditor

WHK Greenwoods
Level 15
309 Kent Street
SYDNEY NSW 2000

Investigating Accountant

PricewaterhouseCoopers Securities Limited
Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 2000

Solicitors to the Company

Steinepreis Paganin
Lawyers & Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Patent Attorneys

Blake Dawson Waldron Patent Services
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Share Registry

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
PERTH WA 6000

2. LETTER FROM DIRECTORS

9 March 2006

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a one (1) for three (3) non-renounceable rights issue as proposed in the IPO Prospectus.

All Shareholders registered as at 5.00pm WST on 21 March 2006 will be entitled to participate in a non-renounceable rights issue of Options on the basis of one (1) Option for every three (3) Shares then held. The price payable on application for each Option is 0.5 cents (half of one cent per Option).

Application for official quotation of the Options by ASX will be made and trading is expected to commence on or about 13 April 2006.

The Closing Date for acceptances is 5.00pm WST on 5 April 2006.

The Board recommends all Shareholders take up their entitlement.

The Board would like to take this opportunity to thank all Shareholders for your support since listing and we look forward to your continued support in the future.

Yours faithfully

Llewellyn S Casbolt

Mr Llewellyn Casbolt
Managing Director and CEO
On Behalf of the Board

3. DETAILS OF THE OFFER

3.1 Rights Issue

Pursuant to this Prospectus, the Company is making a pro-rata non-renounceable rights issue to Shareholders who are registered on the Record Date of up to 16,033,091 Options.

The Options will be offered on the basis of one (1) Option for every three (3) Shares held on the Record Date. The maximum number of Options which could therefore be issued under the Rights Issue is 16,033,091. Further terms of the Options are set out in section 6.6 of this Prospectus.

In the calculation of any entitlement, fractions will be rounded down to the nearest whole number.

3.2 Entitlement

The number of Options to which each Shareholder is entitled (**Entitlement**) is shown on the enclosed Entitlement and Acceptance Form. Shareholders may accept their Entitlement in full or part.

3.3 Purpose of the Offer

The purpose of the Offer is to meet the Company's commitment to issue Options as disclosed in the IPO Prospectus.

The funds raised by the Offer (approximately $80,165) will be applied toward general working capital expenses of the Company and to meet estimated expenses of the Offer of approximately $16,500.

3.4 Action Required

If you wish to take up all or part of your Entitlement, complete the enclosed Entitlement and Acceptance Form in accordance with the instructions set out on the back of the form and lodge it with the appropriate payment no later than 5.00pm WST on the Closing Date at:

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000

Cheques and drafts (drawn on and payable at any Australian bank) should be made payable to "Medical Therapies Limited – Option Issue" and crossed "Not Negotiable". Payment can also be made by money order.

If you do not wish to take up any of your Entitlement, you do not need to take any action and your Entitlement to the Options will lapse on the Closing Date.

3.5 Closing Date

The Closing Date for the Rights Issue is 5.00pm WST on 5 April 2006. The Directors may extend the Closing Date by giving at least 6 Business Days notice to the ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on the ASX may vary with any change in the Closing Date.

3.6 Issue of Options

The Options will be issued and option certificates dispatched as soon as practicable after the Closing Date.

No Options will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

3.7 Minimum Subscription

There is no minimum subscription.

3.8 Oversubscriptions

Oversubscriptions will not be accepted.

3.9 Underwriting

The Offer is not underwritten.

3.10 Shortfall

The Company reserves the right, within three (3) months of the Closing Date, to issue the Shortfall at the discretion of the Directors.

Please do not complete a Shortfall Application Form unless directed to do so by one of the Directors.

3.11 Stock Exchange Quotation

Application for official quotation of the Options by ASX will be made by the Company within seven (7) days of the date of this Prospectus. Application for official quotation of Shares allotted and issued as a result of the exercise of Options issued under this Prospectus will be made within seven (7) business days of exercise.

If the Options are not admitted to Official Quotation within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Options offered by this Prospectus will be granted. In that circumstance, all applications will be dealt with in accordance with section 724 of the Corporations Act.

3.12 Overseas Shareholders

The Offer constituted by this Prospectus is made to residents of Australia and New Zealand only.

No offer of Options will be made to persons resident in countries outside Australia and New Zealand and this Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer to any person resident in any country other than Australia and New Zealand.

3.13 Enquiries

If you have any questions concerning your entitlement, please contact the Company's share registry by telephone on (08) 9323 2000, or fax on (08) 9323 2033, or contact your professional adviser.

4. INFORMATION DEEMED TO BE INCORPORATED IN PROSPECTUS

4.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however, it incorporates by reference, information contained the IPO Prospectus that was lodged with the ASIC on 12 September, 2005.

The information to be incorporated by reference into this Prospectus is summarised below in section 4.2 and will primarily be of interest to investors and their professional advisers or analysts.

Investors and their professional advisers are able to obtain a copy of the IPO Prospectus free of charge by contacting the Company at its registered office during normal business hours during the Offer Period. The IPO Prospectus will also be available by searching the ASIC's records in relation to Medical Therapies, or by visiting the Company's website at www.medicaltherapies.com.au.

4.2 Summary of Information Deemed to be Incorporated

Set out below is a summary of the information contained in the IPO Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether they need to obtain a copy of the IPO Prospectus for the purposes of making an informed investment decision in relation to the Options.

The sections referred to in this section 4.2 are references to sections in the IPO Prospectus.

Section 4 - Company and Technology Overview

Section 4 contains the general information which follows:

(a) a brief history of the Company;

(b) detailed information on the background of the Company's Technologies;

(c) information in relation to the Company's principal researchers; and

(d) information in relation to the development of the Company's products.

Section 5 – Directors and Advisory Committee

Section 5 contains information relating to each of the directors of the Company and the Company's Company Secretary.

Section 6 – Patent Attorney's Report

Section 6 comprises of a Patent Attorney's Report prepared by Blake Dawson Waldron Patent Services. The Patent Attorney's Report was included in the IPO Prospectus to assist investors and their financial advisers in making an assessment of the status of the Company's patent portfolio.

Section 7 - Historical Financial Information

Section 7 contains historical financial information in relation the Company. This information was included in the IPO Prospectus to assist investors and their financial advisers in making an assessment of the financial position and performance of the Company.

Section 7 contains the unaudited (but reviewed) statement of financial position and a pro-forma balance sheet as at 30 June 2005 which reflected the position of the Company on the basis that various transactions, including the issue of all the securities offered under the IPO Prospectus, have been completed.

Section 7 also contains a summary of the historical results for the Medical Therapies Group for the period beginning 24 September 2003 and ended 30 June 2004 and the year ended 30 June 2005.

Section 8 – Investigating Accountant's Report

Section 8 comprises of a report prepared by PricewaterhouseCoopers Securities Limited (**PricewaterhouseCoopers**) dated 12 September 2005 (**Investigating Accountant's Report**). The Investigating Accountant's Report was included in the IPO Prospectus in order to provide an independent review of historical financial information contained in Section 7 of the IPO Prospectus.

Section 9 - Risk Factors

Section 9 notes that an investment in Medical Therapies has risks reasonably expected of an investment in a business of its type. It details a number of factors that may impact on the success and future profitability of Medical Therapies. The factors referred to are development and commercialisation of intellectual property, economic risks, market conditions, additional requirements for capital, research and development, regulatory issues and government regulation, intellectual property rights, reliance on key personnel and the need to attract qualified staff, risk of product liability and uninsured risks, loss of key clients, industry risks, management of growth and the speculative nature of the investment.

Section 10 – Material Contracts

Section 10 provides summaries outlining the details of all material contracts entered into by the Company.

Section 11 - Additional Information

Section 11 sets out additional information required to be disclosed in the Prospectus including:

(a) interests of Directors, including share qualifications, remuneration and holdings;

(b) interests of persons named in the IPO Prospectus;

(c) details of the consents of persons named in the IPO Prospectus;

(d) rights attaching to the Shares offered by the IPO Prospectus;

(e) terms and conditions of Options offered by this Prospectus;

(f) a statement that the Directors have formally adopted a corporate governance policy;

(g) expenses of the offer; and

(h) a statement that the Company is not involved in any legal proceedings, nor are any proceedings pending or threatened against the Company.

MEDICAL THERAPIES LIMITED
AND CONTROLLED ENTITIES
ABN 69 111 304 119

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005
UNAUDITED

	Economic Entity	
	Unaudited 31.12.2005 $	Pro-forma 31.12.2005 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,763,925	1,827,590
Trade and other receivables	239,755	239,755
Other current assets	105,004	105,004
TOTAL CURRENT ASSETS	2,108,684	2,172,349
NON-CURRENT ASSETS		
Property, plant and equipment	28,620	28,620
Intangible assets	3,091,000	3,091,000
TOTAL NON-CURRENT ASSETS	3,119,620	3,119,620
TOTAL ASSETS	5,228,304	5,291,969
CURRENT LIABILITIES		
Trade and other payables	76,404	76,404
TOTAL CURRENT LIABILITIES	76,404	76,404
TOTAL LIABILITIES	76,404	76,404
NET ASSETS	5,151,900	5,215,565
EQUITY		
Issued capital	7,852,416	7,916,081
Retained earnings	(2,700,516)	(2,700,516)
TOTAL EQUITY	5,151,900	5,215,565

The unaudited consolidated balance sheet has been prepared in accordance with Australian equivalents of International Financial Reporting Standards (AIFRS).

The pro-forma consolidated balance sheet has been adjusted for the gross proceeds from the issue of rights for options under this Offer less the estimated costs of the issue.

6. FURTHER INFORMATION

6.1 Listing on ASX and Escrow of Securities

Medical Therapies was admitted to the Official List on 6 December 2005 with official quotation of its Shares commencing on 9 December 2005.

Pursuant to chapter 9 of the ASX Listing Rules a number of the securities issued pursuant to the IPO Prospectus have been made subject to escrow requirements.

Details of these securities subject to escrow and the periods of escrow of those securities are as follows:

(a) 95,000 fully paid ordinary shares is escrowed for a period of 24 months from the date of official quotation;

(b) 2,550,000 Options exerciseable at 20 cents each on or before 31 December 2007, escrowed for a period of 24 months from the date of official quotation;

(c) 3,500,000 Options exerciseable at 20 cents each on or before 31 December 2008, escrowed for a period of 24 months from the date of official quotation;

(d) 17,142,857 fully paid ordinary shares issued on 5 December 2005, escrowed for a period of 12 months from the date of issue; and

(e) 875,000 fully paid ordinary shares issued on 4 November 2005, escrowed for a period of 12 months from the date of issue.

The balance of the issued capital of the Company, being 29,986,416 Shares, are quoted and freely tradeable on ASX.

6.2 Activities Since Listing on ASX

Since listing on ASX, the Company has focussed on developing and implementing a strategy that is aimed at adding value for shareholders, including:

- We have met with our US FDA consultants and continue to pursue in earnest, the early registration of Copper Indomethacin as a "generic" equivalent drug in the United States of America. All indications to date are that short term registration is possible under the FDA's 505(b)2 application process, with timing still on track for the New Drug Application (**NDA**) being submitted very late 2006.

- Also, we have commenced a large scale mouse trial on a topical (cream) therapy for the treatment of skin cancer. This is a large "breakout" study, aimed at determining both the protective and curative effects of both Copper and Zinc Indomethacin, alone and in combination with a recognised sunscreen agent. Preliminary results will not be available until late in the third quarter of 2006, with final results due late in the first quarter of 2007.

- The Company is investigating the possibility of conducting a human clinical trial using Copper Indomethacin as a complementary, palliative care therapy in the treatment of severe pain in people which is the result of various cancer therapies.

- We are also pursuing the possibility of conducting a human clinical trial using Copper Indomethacin in the treatment of melanoma and other skin cancers.
- The progress of these investigations will be announced as appropriate, in keeping with ASX Continuous Disclosure obligations and the ASX/AusBiotech Code of Best Practice for Reporting by Life Science Companies.
- Also, the Company is investigating various intellectual property and corporate acquisitions aimed at extending the Company's pipeline of future products and "buying" cashflow and profit in the short term.
- In addition, Mr Malcom Castle has been appointed a non-executive director of the Company. Mr Castle's background and experience is described elsewhere in this Prospectus.

6.3 Continuous Disclosure and Documents Available for Inspection

The Company is listed on ASX and its Shares are quoted on ASX.

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from or inspected at, an office of the ASIC. This includes the IPO Prospectus referred to in section 4 of this Prospectus.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since official quotation on 6 December 2005. As at the time of lodging this Prospectus the only such documents were:

Date	Details
6 December 2005	Admission to Official List
6 December 2005	Market Release: Pre-quotation disclosure
6 December 2005	Top 20 holders
6 December 2005	Distribution Schedule
6 December 2005	Update Proforma Balance Sheet
6 December 2005	Updated Statement of Commitments
6 December 2005	Executive and Director Options terms and conditions
6 December 2005	Employee Incentive Option Plan terms and conditions
6 December 2005	30 June 2005 Audited Accounts
6 December 2005	IP Deed/Directors Options issued/Escrow Period
6 December 2005	ASX Circular – Commencement of Official Quotation
7 December 2005	Constitution
12 December 2005	Initial Director's Interest Notice x 4
12 December 2005	Change of Director's Interest Notice
15 December 2005	Skin Cancer Trial

15 December 2005	Appendix 1A – ASX Listing Application and Agreement
16 December 2005	Change of Director's Interest Notice
31 January 2006	Commitments Test Entity – Second Quarter Report
23 February 2006	Board Appointment
24 February 2006	First Annual General Meeting
24 February 2006	Initial Director's Interest Notice
27 February 2006	Response to ASX Query re Share Price
6 March 2006	Notice of Annual General Meeting
9 March 2006	Resignation of Chairman

6.4 Trading History

Official quotation of the Shares commenced on 6 December 2005 and consequently, the trading history on ASX as at the date of this Prospectus is limited to that period.

The highest and lowest recorded market sale prices of the Shares quoted on ASX during the period from commencement of Official Quotation to the date of this Prospectus were 37.5 cents on the 28 February 2006 and 14 cents on 19 December 2005 respectively.

The last market sale price of the Shares on ASX on the last day that trading took place in these shares prior to the date of this Prospectus was 33 cents on 8 March 2006.

The Company has no options over Shares that are currently quoted on ASX.

6.5 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Shares	**Number**
Shares on issue at date of this Prospectus	48,099,273

Options	**Number**
Options on issue at date of this Prospectus (1)	5,516,665
Options offered pursuant to this Prospectus	16,033,091
Total Options on issue at completion of the Offer	**21,549,756**

(1) These options include 50,000 options issued to a director, Michael Taverner.

In addition to the above, the Company also has the following options on issue:

(a) 2,450,000 Director Options (including 1,750,000 held by James Dominguez, who resigned as a director on 8 March 2006);

(b) 3,500,000 Executive Options; and

The Company may also issue 10,000,000 Milestone Options to The University of Sydney in the event certain performance milestones are achieved.

The terms of the options referred to above are set out in the IPO Prospectus.

6.6 Terms and Conditions of Options

The material terms and conditions of the Options under this Offer are as follows:

(a) each Option entitles the holder to one Share in the Company;

(b) the Options are exercisable at any time on or prior to 5.00pm (Western Standard Time) on 31 December 2007 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;

(c) the Option exercise price is $0.20 per option;

(d) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the option can be exercised;

(e) subject to the Corporations Act and the Company's Constitution, the Options are freely transferable;

(f) all Shares issued upon exercise of the Options will rank *pari passu* in all respects with the Company's then issued Shares;

(g) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least seven Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and

(h) if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

6.7 Rights Attaching to Shares upon Conversion of Options

The rights, liabilities, privileges and restrictions attaching to Shares can be summarised as follows:

General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

Dividend rights

Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

Variation of rights

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of threequarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6.8 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Options. Taxation consequences will depend on particular circumstances. Neither Medical Therapies nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Options in Medical Therapies or dealing with an entitlement in this Rights Issue.

6.9 Overseas Participants

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

6.10 Interests of Directors and Experts

A full disclosure of the interests of Directors, experts and promoters of and to the Company for the period commencing on incorporation of the Company and to the date of issue of the IPO Prospectus are set out in section 8 of the IPO Prospectus and other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in securities in the Company as set out in the table below:

Director	Number of Shares	Number of options
Llewellyn Casbolt	25,000	3,500,000
Dr Michael Taverner	50,000	400,000
Prof Michael Vitale	70,300	350,000
Malcom Castle	30,000	-

James Dominguez, who resigned as a director on 8 March 2006, holds 1,750,000 options which were issued to him on public listing of the company.

6.11 Consents

Persons who make statements in this Prospectus or who made statements in the IPO Prospectus which are being incorporated by reference into this Prospectus need to provide their written consent for such use.

Each of the parties referred to in this section 6.6:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and

(b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

PricewaterhouseCoopers Securities Limited have given their written consent to being named as Investigating Accountant in this Prospectus and to the inclusion by reference in this Prospectus of its Investigating Accountant's Report set out in section 5 of the IPO Prospectus, in the form and context in which the report is included in the IPO Prospectus. PricewaterhouseCoopers have not withdrawn their consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin have given their written consent to being named as the solicitors to the Company in this Prospectus and have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Blake Dawson Waldron Patent Services have given their written consent to being named as the Company's patent attorneys and to the inclusion by reference in this Prospectus of its Patent Report set out in Section 6 of the IPO Prospectus, in the form and context in which the report is included in the IPO Prospectus. Blake Dawson Waldron Patent Services have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Ltd have given their written consent to being named the Company's share registry in this Prospectus and have not withdrawn their consent prior to lodgement of this Prospectus with the ASIC.

6.12 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

6.13 Expenses of the Issue

The total expenses of the issue are estimated to be $16,500 comprising legal and due diligence costs, printing and other administrative expenses, including ASX quotation fees.

7. AUTHORITY OF DIRECTORS

Each of the Directors has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act.

Dated the 9th day of March 2006

Llewellyn Casbolt
Managing Director and Chief Executive Officer
For and on behalf of Medical Therapies Limited

8. DEFINITIONS

Applicant means a person who submits an Entitlement and Acceptance Form or a Shortfall Application Form.

ASIC means Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

CHESS means ASX Clearing House Electronic Subregistry System.

Closing Date means 5.00 p.m. WST on 5 April 2006 (unless extended), except in relation to the offer of the Shortfall (if any) which may remain open for a period of 3 months after this date.

Company or **Medical Therapies** means Medical Therapies Limited (ACN 111 304 119).

Constitution means constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company from time to time.

Dollars or **$** means Australian dollars unless otherwise stated.

Entitlement and Acceptance Form means the entitlement and acceptance form for the Rights Issue attached to or accompanying this Prospectus.

Listing Rules or **ASX Listing Rules** means the official Listing Rules of ASX.

IPO Prospectus means the replacement prospectus lodged by the Company with the ASIC on 12 September 2005 for the offer of 15,000,000 Shares at an issue price of 20 cents each to raise $3,000,000 (oversubscriptions of up to a further 10,000,000 Shares at an issue price of 20 cents each to raise a further $2,000,000 were offered).

Offer means the offer of Options pursuant to this Prospectus.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of ASX.

Opening Date means 22 March 2006.

Option Holders means those parties holding options to acquire Shares.

Option means an option for the issue of a Share on the terms set out in section 5.7 of this Prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5pm (WST) on 21 March 2006.

Rights Issue means the non-renounceable rights issue of Options to Shareholders pursuant to this Prospectus.

Share means one fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall means the Options (if any) not taken up under the Rights Issue.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

WST means Western Standard Time, Perth, Western Australia.

DO NOT COMPLETE THIS FORM UNLESS INSTRUCTED TO DO SO BY THE DIRECTORS

SHORTFALL APPLICATION FORM - MEDICAL THERAPIES LIMITED

ACN 111 304 119

The securities to which this application form (**Application Form**) relates are Options in the capital of Medical Therapies Limited (**Company**). A prospectus containing information regarding investment in Options was lodged with the Australian Securities and Investments Commission on 9 March 2006 (**Prospectus**). While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary documents and the Application Form, free of charge to any person upon request. You should read the Prospectus before applying for Options. A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary document. The Corporations Act prohibits any person from passing onto another person an application form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus.

PLEASE READ ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM

Full name (PLEASE PRINT)
Title, Given Name(s) & Surname or Company Name

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

Postal Address (PLEASE PRINT)
Street Number
Street

Suburb/Town State Post Code

ABN, Tax File Number or Exemption Applicant #2 Applicant #3

CHESS HIN or Existing SRN (where applicable)

Number of Options applied for	Application Money enclosed at 0.5 cents per Option
	A$................................

I/We whose full name(s) and address appear above hereby apply for the number of Options shown above (to be allocated to me/us by the Company in respect of this Application) under the Prospectus on the terms set out in the Prospectus.

Cheque Details:

PLEASE ENTER CHEQUE DETAILS THANKYOU	Drawer	Bank	BSB or Branch	Amount

My/Our contact numbers in the case of inquiry are:

Telephone ( ) .... Fax ( ) ....

Cheques should be made payable to Medical Therapies Limited – Options Issue, crossed "NOT NEGOTIABLE".

Cheques and completed Application Forms should be forwarded, **to arrive no later than 5:00pm on 5 April 2006** (or such other date as is determined by the Directors) to Computershare Investor Services Pty Limited:

Medical Therapies Limited – Share Offer Account
C/- Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

OR

Medical Therapies Limited – Share Offer Account
C/- Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St. George's Terrace
PERTH WA 6000

GUIDE TO THE APPLICATION FORM

If an applicant has any questions on how to complete this Application Form, please telephone Computershare Investor Services Pty Limited on 1300 557 010.

A. Application for Options
The Application Form must only be completed in accordance with instructions included in Prospectus.

B. Name of Applicant
Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registerable title. Applications using the incorrect form of registerable title may be rejected.

C. Name of Joint Applicants or Account Designation
If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registerable title.

D. Address
Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details
Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

F. CHESS HIN or existing SRN Details
The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details
Make cheques payable to **"Medical Therapies Limited – Option Issue"** in Australian currency and cross them **"Not Negotiable".** Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Application Form.

H. Declaration
This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application money this Applicant hereby:

(1) applies for the number of Options specified in the Application Form or such lesser number as may be allocated by the Directors;
(2) agrees to be bound by the constitution of the Company;
(3) authorises the directors of the Company to complete or amend this Application Form where necessary to correct any errors or omissions;
(4) acknowledges that he/she has received a copy of the Prospectus attached to this Application Form or a copy of the Application Form before applying for the Options; and
(5) acknowledges that he/she will not provide another person with this Application Form unless it is attached to or accompanied by the Prospectus.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund