MEDICALTHERAPIES

27 October 2006

Australian Stock Exchange Limited
20 Bridge Street
SYDNEY

Medical Therapies Limited – Despatch of Notice of Annual General Meeting and Annual Report to Shareholders

The following documents have been despatched to shareholders:

1. Notice of Annual General Meeting to be held on 29 November 2006 – attached

2. Annual Report – copy lodged with ASX on 28 September 2006.

3. Copy of announcement re Nature Vet acquisition – lodged with ASX on 24 October 2006.

Yours faithfully,

Ian Gilmour
Company Secretary

MEDICAL THERAPIES LIMITED ACN 111 304 119
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MEDICAL THERAPIES LIMITED

ACN 111 304 119

NOTICE OF ANNUAL GENERAL MEETING

TIME:	10.00am (EST)
DATE:	Wednesday, 29 November 2006
PLACE:	Museum of Sydney, AGL Theatre Corner of Phillip and Bridge Streets Sydney NSW 2000

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (02) 9889 1222.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Medical Therapies Limited to which this Notice of Meeting relates will be held on Wednesday 29 November at 10.00am (EST):

Museum of Sydney, AGL Theatre
Corner of Phillip and Bridge Streets
Sydney NSW 2000

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting may impact the Company and your vote is important.

A Proxy Form accompanies this Notice of Meeting.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed:

(a) send the Proxy Form by post to Computershare Investor Services, GPO BOX D182, Perth WA 6840. A reply paid envelope is enclosed; or

(b) send the Proxy Form by facsimile to Computershare Investor Services on facsimile number 08 9323 2033,

so that it is received not later than 10.00am EST on Monday, 27 November 2006.

Proxy forms received later than this time will be invalid.

Dear Shareholder

Thank you for your continued support of Medical Therapies Limited (**Company**) during the year.

I am pleased to invite you to the 2006 Annual General Meeting of the Company. The meeting will be held at the Museum of Sydney, cnr Phillip and Bridge Streets, Sydney on Wednesday, 29 November 2006, commencing at 10.00am.

I have also enclosed with this Notice of Annual General Meeting 2006 the Annual Report of Medical Therapies Limited for the year ended 30 June 2006, and your personalised proxy form.

The following pages contain details of the seven items of business that you have the opportunity to vote on at the meeting.

You will be asked to adopt MTY's Remuneration Report as required by the Corporations Act. The Company's Remuneration Report is set out on pages 19 to 24 of the 2006 Annual Report.

Resolutions 2 to 5 ask you to vote in relation to the granting of Director Options to our two current Non-Executive Directors, Malcom Castle and Michael Taverner, our CEO and Managing Director, Llewellyn Casbolt and myself. Each Director will not participate in the vote for granting of their respective Director Options.

Resolution 6 asks you to vote on the issue of options to Fresh Capital Pty Limited as part of their fee arrangement in relation to a placement conducted by the Company earlier this year.

Finally, Resolution 7 asks you to vote on the adoption of the Non-Executive Director Share Plan as is required by ASX Listing Rule 10.14. Directors will not participate in the vote in relation to this resolution.

Your Directors believe these resolutions to be in the best interests of the Company and its shareholders and encourage you to vote in favour of all of them.

I look forward to seeing you at the AGM on 29 November. If you are unable to attend please ensure that you fill out and return your proxy form, which is enclosed with this notice.

Yours sincerely,

Michael R Vitale

Michael Vitale
Chairman

NOTICE OF GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Medical Therapies Limited will be held at Museum of Sydney, AGL Theatre, Corner of Phillip and Bridge Streets, Sydney at 10.00am EST on Wednesday, 29 November 2006.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company on Monday, 27 November 2006 at 7.00pm (EST).

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Reports and Accounts

To receive and consider the financial statements of the Company for the year ended 30 June 2006 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company's financial statements and the directors' report are not matters put to shareholders as a resolution. However, shareholders will be afforded a reasonable opportunity to ask questions about these documents at the Annual General Meeting.

RESOLUTION 1 – REMUNERATION REPORT

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

> *"That for the purposes of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the financial year ended 30 June 2006."*

Short Explanation: Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company at the Annual General Meeting. However, Shareholders should note that the vote on Resolution 1 is advisory only and is not binding on the Company or its Directors.

RESOLUTION 2 – GRANT OF DIRECTOR OPTIONS TO MR LLEWELLYN CASBOLT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to grant 3,500,000 Director Options to Mr Llewellyn Casbolt (or his nominee) on the terms and conditions in the Explanatory Statement."*

Short Explanation: The ASX Listing Rules require the Company to seek shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision of any financial benefit (which includes the grant of options), requires shareholder approval pursuant to the related party provisions (Part 2E). Mr Casbolt is a related party of the Company by virtue of the fact that he is a director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Casbolt and any associate of Mr Casbolt.

RESOLUTION 3 – GRANT OF DIRECTOR OPTIONS TO PROF MICHAEL VITALE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to grant 750,000 Director Options to Professor Michael Vitale (or his nominee) on the terms and conditions in the Explanatory Statement."*

Short Explanation: The ASX Listing Rules require the Company to seek shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision of any financial benefit (which includes the grant of options), requires shareholder approval pursuant to the related party provisions (Part 2E). Prof Vitale is a related party of the Company by virtue of the fact that he is a director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Prof Vitale and any associate of Prof Vitale.

RESOLUTION 4 – GRANT OF DIRECTOR OPTIONS TO DR MICHAEL TAVERNER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to grant 600,000 Director Options to Dr Michael Taverner (or his nominee) on the terms and conditions in the Explanatory Statement."*

Short Explanation: The ASX Listing Rules require the Company to seek shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision of any financial benefit (which includes the grant of options), requires shareholder approval pursuant to the related party provisions (Part 2E). Dr Taverner is a related party of the Company by virtue of the fact that he is a director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Taverner and any associate of Dr Taverner.

RESOLUTION 5 – GRANT OF DIRECTOR OPTIONS TO MR MALCOM CASTLE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to grant 600,000 Director Options to Mr Malcom Castle (or his nominee) on the terms and conditions in the Explanatory Statement."*

Short Explanation: The ASX Listing Rules require the Company to seek shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision of any financial benefit (which includes the grant of options), requires shareholder approval pursuant to the related party provisions (Part 2E). Mr Castle is a related party of the Company by virtue of the fact that he is a director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Castle and any associate of Mr Castle.

RESOLUTION 6 – ISSUE OF CONSIDERATION OPTIONS TO FRESH CAPITAL PTY LTD

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, approval is given for the Company to allot and issue 500,000 Consideration Options to Fresh Capital Pty Ltd on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

Voting Exclusion: The Company will disregard any votes cast on this resolution by Fresh Capital Pty Ltd and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, and any associate of those persons.

RESOLUTION 7 – ADOPTION OF NON-EXECUTIVE DIRECTOR SHARE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rules 7.2 (Exception 9) and 10.14 of the ASX Listing Rules and for all other purposes, approval is given for the Company to adopt the "Medical Therapies Limited Non-Executive Director Share Plan" (**Plan**) and to allot and issue fully paid ordinary shares in the capital of the Company pursuant to the Plan on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

Voting Exclusion: The Company will disregard any votes cast on this resolution a director (except a director who is ineligible to participate under any employee incentive scheme adopted by the Company), and any of their associates.

DATED: 10 October 2006

BY ORDER OF THE BOARD

Llewellyn S. Casbolt

LLEWELLYN CASBOLT
MANAGING DIRECTOR

Voting Exclusion Note:

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at Museum of Sydney, AGL Theatre, Corner of Phillip and Bridge Streets, Sydney at 10.00am EST on Wednesday 29 November 2006.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1 – REMUNERATION REPORT

The Remuneration Report is set out in the Director's Report starting on page 12 of the Company's 2006 Annual Report. It is also available on the Company's website at www.medicaltherapies.com.au.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company at the Annual General Meeting. However, Shareholders should note that the vote on Resolution 1 is advisory only and is not binding on the Company or its Directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

2. RESOLUTIONS 2 TO 5 – GRANT OF DIRECTOR OPTIONS TO DIRECTORS

2.1 Background

The Company is seeking shareholder approval to grant Director Options to each of Mr Casbolt, Prof Vitale, Dr Taverner and Mr Castle (together, the **Related Parties**) in the following amounts:

Director	**Number of Director Options**
Mr Casbolt	3,500,000
Professor Vitale	750,000
Dr Taverner	600,000
Mr Castle	600,000

Approval is being sought to grant the Director Options to the Related Parties to secure the ongoing commitment of the Directors to the continued growth of the Company.

The above approvals are sought for the purposes of:

(a) Chapter 2E of the Corporations Act 2001, which governs the giving of financial benefits to directors and other "related parties" of a company; and

(b) ASX Listing Rule 10.11 which provides that, subject to certain exceptions, a company listed on ASX cannot issue or grant securities to a director without shareholder approval.

The Board considers that, in view of the financial, legal and other responsibilities assumed by directors of public companies, the payment of monetary fees alone is not an adequate reward and does not provide an adequate incentive to enable the Company to attract and keep board members and executive directors of the requisite level of experience and qualifications. The Board considers that equity participation by way of the grant of Director Options to members of the Board is appropriate for these purposes.

In determining the number of Director Options to be granted to each Director, consideration was given to the relevant experience and role of each of the Related Parties, their respective overall remuneration terms, the current market price of Shares and the terms of option packages granted to directors of other companies within the industry.

2.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities.

For the purposes of this meeting, a "related party" includes a director of the Company. Accordingly, the proposed grant of Director Options to the Related Parties involves the provision of a financial benefit to a related party of the Company.

Where no exception is applicable (as is the case in these circumstances), Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

(a) obtain the approval of members in the way set out in Sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months after the approval is obtained.

In accordance with the requirements of Sections 217 to 227 of the Corporations Act, the following information is provided to allow Shareholders to assess the proposed grant of the Director Options to the Related Parties:

(a) the related parties to whom the financial benefits will be given are Mr Casbolt, Prof Vitale, Dr Taverner and Mr Castle;

(b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is 5,450,000 Director Options, which comprises 3,500,000 Director Options to Mr Casbolt, 750,000 Director Options to Prof Vitale, 600,000 Director Options to Dr Taverner and 600,000 Director Options to Mr Castle;

(c) the Director Options will be granted for no consideration and otherwise on the terms and conditions set out in Section 2.3 below;

(d) as at the date of this Notice, the current annual remuneration payable and the remuneration paid for the previous financial year (inclusive of superannuation where applicable) for each of the Related Parties is set out below:

Person	**Current Remuneration (excluding options)**	**Remuneration for Previous Financial Year (excluding options)**
Mr Casbolt	$327,000*	$280,000
Prof Vitale	$76,300	$36,787
Dr Taverner	$65,400	$32,700
Mr Castle	$65,400	$11,445

* The Board has agreed to a new service agreement with Mr Casbolt whereby he will be paid this amount in salary and statutory superannuation. In addition, Mr Casbolt may also be entitled to bonuses aggregating $100,000 in total in the event certain performance criteria are met.

(e) as at the date of this Notice, the Related Parties have notifiable interests in the securities of the Company as set out below:

Person	**Shares**	**Listed Options**[1]	**Unlisted Options**[2]
Mr Casbolt	35,000	8,333	3,500,000
Prof Vitale	103,733	-	350,000
Dr Taverner	161,666	-	400,000
Mr Castle	43,000	9,999	-

Notes:
1. Exercisable at $0.20 each on or before 31 December 2007.
2. Exercisable at $0.20 each on or before 31 December 2008 for Mr Casbolt and on or before 31 December 2007 for Prof Vitale and Dr Taverner.

(f) other than as set out above, the Related Parties receive no other emoluments from the Company;

(g) if Shareholders approve the grant of the Director Options to the Related Parties and all of their Director Options are exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 9.8% (based on the number of Shares currently on issue of 55,666,148 Shares and assuming no other options are exercised);

(h) the market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at the time any of the Director Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. In the 12 months before the date of this Notice, the highest, lowest and last trading price of Shares on ASX are as set out below:

Highest	49 cents on 28 March 2006
Lowest	14 cents on 19 December 2005
Last	27 cents on 6 October 2006

(i) the ASIC in reviewing documents lodged under Section 218 of the Corporations Act relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the options proposed to be granted. The value of the Director Options and the pricing methodology is set out in Section 2.4 below; and

(j) Mr Casbolt, Prof Vitale, Dr Taverner and Mr Castle decline to make a recommendation to Shareholders in relation to the Resolution which relates to the issue of Director Options to them respectively due to their material personal interest in the outcome of the relevant Resolutions. Otherwise, the independent Directors (with respect to Resolutions that they do not have a material personal interest in) recommend that Shareholders vote in favour of Resolutions 2 to 5 as they are of the view that the issue of Director Options to the Related Parties is an appropriate form of remuneration to provide them with an incentive to maximise returns to Shareholders. The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolutions.

2.3 Terms of Director Options

Each Director Option will entitle the holder to subscribe for one Share in the Company on the following terms:

(a) the Director Options may be exercisable at any time prior to their expiry date as set out in Schedule 1 of this Explanatory Statement (**Expiry Date**). Further, some of the Director Options will have various vesting conditions attaching to them, prior to the achievement of which they may not be exercised by the holder. If the vesting conditions are not satisfied or the Director Options are not exercised on or before the Expiry Date, they will automatically lapse;

(b) the exercise price of the Director Options is as set out in Schedule 1 of this Explanatory Statement;

(c) the Director Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;

(d) upon the exercise of a Director Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation. The Director Options will not be listed on ASX;

(e) a summary of the terms and conditions of the Director Options, including the Notice of Exercise, will be sent to all holders of Director Options when the initial holding statement is sent;

(f) there will be no participating entitlement inherent in the Director Options to participate in the new issues of capital which may be offered to Shareholders during the currency of the Director Options. Prior to any new pro rata issue of securities to Shareholders, the holder of Director Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;

(g) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Director Options, the exercise price of the Director Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;

(h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of a Director Option holder are to be changed in a manner consistent with the ASX Listing Rules;

(i) in the event of a bonus issue to holders of Shares, the number of Shares into which the Directors Options will convert will be increased by the number of Shares which the holder of the Directors Options would have received if the Directors Options had been exercised before the record date for the bonus issue;

(j) if the holder is terminated or resigns as a director or employee of the Company, then any Director Options that have not vested as at that date will immediately lapse. In these circumstances, all Director Options that have vested will be retained by the holder; and

(k) Shares issued pursuant to the exercise of a Director Option will be issued not more than 14 days after the date of the Notice of Exercise.

2.4 Valuation of Director Options

The Director Options have been valued by internal management using a Binomial pricing model and based upon the following assumptions:

(a) the valuation date for the Director Options is 3 October 2006, although the Director Options will not be granted until the Shareholders have approved the grant of the Director Options;

(b) the market price of a fully paid Share as quoted on ASX as at 3 October 2006 was 20.5 cents;

(c) the exercise price of the Director Options have the fixed exercise prices set out in Schedule 1 of the Explanatory Statement;

(d) the Director Options have the expiry dates set out in Schedule 1 to this Explanatory Statement;

(e) a risk free rate of 5.8% for the Director Options with a 3 year expiry date and 5.74% for the Director Options with a 5 year expiry date (being the estimated rates for 3 year and 5 year bonds as published by the Reserve Bank of Australia);

(f) a volatility rate of 60% has been applied (being the mid point volatility of 20 sampled similar biotechnology companies traded on ASX);

(g) the Director Options will not be listed on ASX; and

(h) the valuation ranges noted below are not necessarily the market price that the Director Options could be traded at and it is not automatically the market prices for taxation purposes.

Based on the above assumptions, the technical ranges of values of each Director Option to be granted to the Related Parties are as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranches 5 to 7
Value	6.6 cents	6.6 cents	6.5 cents	4.9 cents	7.4 cents

Accordingly, the total value of the Director Options to be granted to the Related Parties is as follows:

Person	Value of Director Options
Mr Casbolt	$213,000
Prof Vitale	$55,500
Dr Taverner	$44,400
Mr Castle	$44,400

2.5 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party. Mr Casbolt, Prof Vitale, Dr Taverner and Mr Castle are considered to be related parties of the Company by virtue of the fact that they are directors of the Company.

Approval pursuant to Listing Rule 7.1 is not required in order to grant the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. The grant of the Director Options will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. The following information is provided to Shareholders for the purposes of Listing Rule 10.13:

(a) the maximum number of Director Options to be issued is 5,450,000 as follows:

(i) 3,500,000 Director Options to Mr Casbolt;

(ii) 750,000 Director Options to Prof Vitale;

(iii) 600,000 Director Options to Dr Taverner; and

(iv) 600,000 Director Options to Mr Castle;

(b) the Director Options will be issued no later than one (1) month from the date of approval of the Resolutions (or such later date as approved by ASX) and it is anticipated that the Options will be issued on one date;

(c) the terms and conditions of the Director Options are set out in Section 2.3 above;

(d) the Shares issued upon exercise of the Director Options will rank equally in all respects with the Company's existing issued Shares; and

(e) the Director Options are being granted to Mr Casbolt, Prof Vitale, Dr Taverner and Mr Castle for the reasons set out in Section 2.1 of this Explanatory Statement.

3. RESOLUTION 6 – ISSUE OF CONSIDERATION OPTIONS TO FRESH CAPITAL PTY LTD

3.1 Background

As part of their fee arrangements with Fresh Capital Pty Ltd (**Fresh Capital**) in relation to a placement made by the Company earlier this year (**Placement**), the Company agreed to issue 500,000 Consideration Options to Fresh Capital on the terms set out in Section 3.2 below.

The Company is seeking Shareholder approval for the proposed issue of 500,000 Consideration Options so that this number of securities is not included in the 15% calculation set out in Listing Rule 7.1.

3.2 Terms of Consideration Options

The material terms and conditions of the Consideration Options are as follows:

(a) each Consideration Option entitles the holder to subscribe for one (1) Share;

(b) the Consideration Options are exercisable at any time on or prior to 5.00pm (EST) on 31 December 2009 (**Expiry Date**) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Consideration Options are exercised to the registered office of the Company on or before the Expiry Date;

(c) the exercise price of each Consideration Option is $0.45;

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

(e) the Consideration Options are not transferable;

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

(g) the Company will apply for quotation of all Shares issued upon exercise of the Consideration Options on ASX. The Consideration Options will not be quoted on ASX;

(h) 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 Consideration Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Consideration Option holders the opportunity to exercise their Consideration Options prior to the date for determining entitlements to participate in any such issue;

(i) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Consideration Options, the exercise price of the Consideration Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;

(j) in the event of a bonus issue to holders of Shares, the number of Shares into which the Consideration Options will convert will be increased by the number of Shares which the holder of the Consideration Options would have received if the Consideration Options had been exercised before the record date for the bonus issue; and

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

3.3 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period, any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue:

(a) plus the number of fully paid ordinary securities issued in the 12 months under an exception in ASX Listing Rule 7.2;

(b) plus the number of partly paid ordinary securities that became fully paid in the 12 months;

(c) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1; and

(d) less the number of fully paid ordinary securities cancelled in the 12 months.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting.

Listing Rule 7.3 requires that the following information be provided to Shareholders:

(a) the maximum number of securities to be issued is 500,000 Consideration Options;

(e) the 500,000 Consideration Options will be issued for no cash consideration;

(f) the Consideration Options will be issued to Fresh Capital. Fresh Capital is not a related party of the Company;

(g) the Consideration Options will be issued no later than 3 months after the date of this Meeting (or later to the extent permitted by any ASX waiver of the Listing Rules) and it is anticipated that allotment will occur on one date;

(h) the Consideration Options will be issued on the terms set out in paragraph 3.2 of this Explanatory Statement above; and

(i) no funds will be raised from the issue of the 500,000 Consideration Options as they are being issued in part consideration for Fresh Capital Pty Ltd managing the Placement.

4. RESOLUTION 7 – ADOPTION OF NON-EXECUTIVE DIRECTOR SHARE PLAN

Resolution 7 seeks the approval of shareholders for adoption of the "Medical Therapies Limited Non-Executive Director Share Plan" (**Plan**) and the issue of Shares under the Plan.

Resolution 7 is placed before Shareholders in accordance with Exception 9 of Listing Rule 7.2 and Listing Rule 10.14. If Resolution 7 is passed, the Company will be able to issue Shares under the Plan over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without shareholder approval in any 12 month period.

Pursuant to ASX Listing Rules 10.14, a director or an associate of a director is not permitted to acquire securities under an employee incentive scheme without the prior approval of Shareholders.

Shareholders should note that no Shares have previously been issued under this Plan and the objective of the Plan is to attract, motivate and retain non-executive directors.

It is considered by the Directors that the adoption of the Plan and the future issue of Shares under the Plan will provide selected non-executive directors with the opportunity to participate in the future growth of the Company.

The following technical information is provided pursuant to ASX Listing Rule 10.15A:

(a) the parties to whom securities may be issued under the Scheme are:

    (i) Michael Vitale;

    (ii) Michael Taverner; and

    (iii) Malcom Castle;

    all of whom are directors of the Company;

(b) the maximum number of securities to be issued under the Plan will be 4,000,0000 Shares (in aggregate) and the maximum number to be issued to any director is equal to the aggregate of his or her remuneration divided by the volume weighted average price of the Shares as traded on ASX over the 20 trading days prior to the end of each calendar quarter;

(c) the Shares will be issued for no cash consideration as payment in lieu of receipt of directors' fees;

(d) no persons have previously received securities under the Plan;

(e) no loan arrangement has been or will be entered into in relation to the issue of securities under the Plan;

(f) details of any securities issued under the Plan will be published in each annual report of the Company relating to a period in which securities have been issued and that approval for the issue of securities was obtained under ASX Listing Rule 10.14;

(g) any additional persons who become entitled to participate in the Plan after this resolution is approved and who were not named in this Notice of Meeting will not participate until approval is obtained under ASX Listing Rule 10.14; and

(h) the Shares to be issued under the Plan will be issued no later than 3 years after the date of this Meeting.

A summary of the terms and conditions of the Plan is set out below:

(a) The Plan is designed to provide eligible participants with an ownership interest in the Company and to provide additional incentives for eligible participants to increase profitability and returns to Shareholders.

(b) Under the Plan non-executive directors have the right to forego from 0% to 100% of their directors' fees and receive Shares in lieu at a price equal to the volume weighted average price of the Shares as traded on ASX over the 20 trading days prior to the end of each calendar quarter.

The summary of the Plan is set out above for the information of Shareholders. The detailed terms and conditions of the Plan may be obtained free of charge by contacting the Company.

GLOSSARY

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

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

Board means the current board of directors of the Company.

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

Consideration Option means an option issued on the terms set out in Section 3.2 of the Explanatory Statement.

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director Option means an option issued on the terms set out in Section 2.3 of the Explanatory Statement.

Directors means the current directors of the Company.

EST means Eastern Standard Time.

Explanatory Statement means the explanatory statement to the Memorandum.

Memorandum means this information memorandum.

Notice means the notice of meeting which forms part of this Memorandum.

Option means an option to acquire a Share.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

SCHEDULE 1 – DIRECTOR OPTIONS

Name	Number	Exercise Price	Expiry Date	Conditions
Llewellyn Casbolt	500,000 (**Tranche 1**)	$0.30	30 November 2009	Only vest if the Company enters into a formal Share Sale Agreement** with Hearthstone Pty Ltd and Nature Vet Pty Ltd which is expected to be executed at least 60 days prior to Settlement. 100% of these options vest immediately upon execution of that agreement.
	1,000,000 (**Tranche 2**)	$0.30	30 November 2009	100% vest immediately upon date of issue.
	1,000,000 (**Tranche 3**)	Greater of $0.50 and VWAP* plus 40%	30 November 2011	33% vest on the date of issue and the balance vesting 1/36 over a 36 month period from commencement of Mr Casbolt's new service agreement with the Company.
	1,000,000 (**Tranche 4**)	Greater of $0.75 and VWAP* plus 60%	30 November 2011	33% vest on the date of issue and the balance vesting 1/36 over a 36 month period from commencement of Mr Casbolt's new service agreement with the Company.
Michael Vitale	750,000 (**Tranche 5**)	Greater of $0.40 and VWAP* plus10%	30 November 2011	100% vest immediately upon date of issue.
Michael Taverner	600,000 (**Tranche 6**)	Greater of $0.40 and VWAP* plus10%	30 November 2011	100% vest immediately upon date of issue.
Malcom Castle	600,000 (**Tranche 7**)	Greater of $0.40 and VWAP* plus10%	30 November 2011	100% vest immediately upon date of issue.

* "VWAP" is equal to the 10 day volume weighted average price of the Company's shares as traded on ASX over the 10 trading days immediately prior to the AGM.

** As announced to ASX on 24 July 2006, the Company has entered into a heads of agreement with Hearthstone Pty Ltd and Nature Vet Pty Ltd pursuant to which the Company has agreed to acquire all of the shares in the capital of Nature Vet Pty Ltd. This heads of agreement is to be superseded by a formal Share Sale Agreement which the Company expects to be executed at least 60 days prior to Settlement.

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MEDICALTHERAPIES

MEDICAL THERAPIES LIMITED ACN 111 304 119
SUITE 15, 33 WATERLOO ROAD, NORTH RYDE NSW 2113
TELEPHONE +61 2 9889 1222 FACSIMILE +61 2 9889 2022
WEB WWW.MEDICALTHERAPIES.COM.AU

MEDICALTHERAPIES

Medical Therapies Limited
ABN 69 111 304 119

Proxy Form

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2555
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

000001
000
MTY
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)

I 1234567890 I ND

Appointment of Proxy

I/We being a member/s of Medical Therapies Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Medical Therapies Limited to be held at AGL Theatre, Museum of Sydney, Corner of Phillip & Bridge Streets, Sydney on Wednesday, 29 November 2006 at 10.00am and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 2 TO 7 BELOW

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 2 to 7 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 2 to 7 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

Voting directions to your proxy - please mark X to indicate your directions

		For	Against	Abstain*
1	Adoption of Remuneration Report			
2	Issue of Options to Mr Casbolt			
3	Issue of Options to Prof Vitale			
4	Issue of Options to Dr Taverner			
5	Issue of Options to Mr Castle			
6	Issue of Options to Fresh Capital Pty Ltd			
7	Adoption of Non-Executive Director Share Plan			

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name   Contact Daytime Telephone   Date / /

MTY 19PR

MTY_WIP_120417/000001/000001/i

How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney:	to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at **www.computershare.com.**

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 10.00am on Wednesday, 29 November 2006. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

IN PERSON	Registered Office - Suite 15, 33 Waterloo Road, North Ryde, NSW 2113 Share Registry - Computershare Investor Services Pty Limited, Level 2, 45 St Georges Terrace, Perth WA 6000 Australia
BY MAIL	Registered Office - Suite 15, 33 Waterloo Road, North Ryde, NSW 2113 Share Registry - Computershare Investor Services Pty Limited, GPO Box D182, Perth, WA 6840
BY FAX	61 8 9323 2033

MEDICALTHERAPIES

ASX ANNOUNCEMENT

24 October, 2006

Medical Therapies and Nature Vet Agree to Extension of Settlement Date

At the request of the directors of Hearthstone Pty Ltd (the sole shareholder in Nature Vet Pty Ltd) (**Hearthstone**), Medical Therapies and Hearthstone have agreed to extend the settlement date of the acquisition of Nature Vet Pty Ltd until the 1st July 2007 for two important reasons:

(a) the Development Approval required for extensions to Nature Vet's Glenorie premises is likely to take longer than previously expected, particularly given the desire to re-zone the property to include the ability to manufacture human pharmaceuticals on the site; and

(b) Dr Gerry Rose is about to undergo protracted treatment for a serious medical condition and during this treatment period and convalescence is not likely to be able to appropriately deal with the issues required by settlement of this transaction.

The directors of both companies wish to emphasize that they remain committed to completing the transaction. The extension of the settlement is seen as an appropriate measure motivated by the desire to allow Dr Rose to focus on his health, and in parallel, to have the Development Approval, and re-zoning of the Glenorie property concluded.

'The Board of Directors of Medical Therapies is very sympathetic to Steve and Gerry's request and would like to extend its sincere well wishes to Gerry for the upcoming treatment and our hopes for his full and rapid recovery thereafter. The delay is unfortunate, but we will use this extra time to begin working more closely together, and to plan in detail the merger of operations and administration that will be necessary following conclusion of the acquisition', said Mr Llewellyn Casbolt, CEO of Medical Therapies.

As a result of this extension to the settlement date, resolutions to approve this transaction will now not be put to the shareholders of Medical Therapies at the upcoming AGM on the 29th November, but are planned to be put to a General Meeting of shareholders early in the second quarter of 2007. At that time, resolutions to approve the acquisition of Nature Vet Pty Ltd and its associated companies, including a resolution to appoint Mr Stephen Rose to the Board of Medical Therapies, and a further resolution seeking approval to raise the necessary cash to fund the cash component of the transaction will be put to shareholders.

The main consideration in delaying these proposed resolutions, and the core reason for not putting them to shareholders at the AGM, is that under the ASX Listing Rules the acquisition of Nature Vet Pty Ltd must occur within 3 months of the date of the shareholder meeting. Accordingly, if settlement is now planned to take place on the 1st July 2007, any approval to proceed with the acquisition of Nature Vet will have expired if approval was sought at the AGM.

Nature Vet has experienced strong growth in sales over the last six months, with the September quarter the strongest on record.

Mr Stephen Rose (Managing Director – Nature Vet) said today that 'Nature Vet is positioned to capture a significant share of the domestic and export companion animal markets with its numerous brands, and sales of our complete range of high-performance equine products continues to climb in all markets'.

The delay in settlement will not change the terms and conditions of the Binding Terms Sheet executed on the 22nd July 2006, other than the extension of the settlement date.

For Further Information:

Llewellyn Casbolt
Office: 02 9889 1222
Mobile: 0412 282 101

About Medical Therapies Limited (www.medicaltherapies.com.au)

Medical Therapies Limited(ASX: MTY) is an Australian pharmaceutical company developing and commercializing a significant range of unique metal complexes of Non-Steroidal Anti-Inflammatory Drugs (NSAIDs) as anti-inflammatory and anti-cancer therapeutics.

These patent-protected compounds offer the potential of dramatically reduced GI and renal toxicity in the treatment of inflammatory diseases such as arthritis, and a new way to treat various cancers including skin cancer, two of the world's largest medical markets at US$11 billion and US$57 billion in annual sales respectively.

The Company's management team has deep, end-to-end pharmaceutical and commercial experience. Our strategy for growth includes the commercialisation of our existing portfolio of technologies, acquisition of relevant companies, and acquisition of relevant intellectual property portfolios.

About Nature Vet Pty Ltd (www.naturevet.com.au)

Nature Vet is wholly Australian owned and operated veterinary pharmaceutical manufacturer which has been committed to the development of innovative animal health care products since the 1970s.

The Company was founded through the amalgamation of RWR in 1988. Dr Gerry Rose (Executive Chairman – Nature Vet) is one of the original founders and he and his wife, Helen, assumed full control of Nature Vet in 1995.

Dr Rose is a well known, highly regarded veterinarian who has extensive, specialist experience in the care of thoroughbred race horses and he has provided services to the elite equestrian sports markets since the mid-1960's. His own horses have won numerous national and international events including The Golden Slipper in 2000 and the Magic Millions 2 Year Old Classic in 2006. He is regarded as the vet to the horse racing stars, and has been a long time physician and adviser to a number of Australia's most high profile stables.

The Company's extensive range of products is the culmination of very many years of research and development by dedicated scientists and veterinarians, and is produced to the highest standard in its GMP approved facility based at Glenorie, in north western Sydney.

Nature Vet is currently in an exciting and challenging period, with strong domestic and export growth, new innovative products about to reach the market and an ongoing research program aimed at the creation of further high value products. The Company is optimistic about the future and anticipates continued success, both in Australia and in the world-wide market.