



LIFE THERAPEUTICS LIMITED

ACN: 001 001 145

21 November 2008

Further Market Update

Further to the previous announcement from the company on 20 November 2008, Life Therapeutics Limited, ("LFE"), provides the following information supplementary to that announcement.

LFE expects to have a Notice of Meeting and Explanatory Memorandum issued to shareholders within thirty (30) days of the date of this announcement

Change of Activities

LFE proposes to broaden the nature of its activities so that it can make investments in a diversified portfolio with a flexible investment horizon. LFE will hold investments indefinitely, provided their values continue to compound at a rate consistent with its investment objectives and the capital employed in those investments cannot be deployed in a superior alternative.

Without limiting the scope of LFE's potential investments, the following are examples of situations in which LFE may invest:

- **Consolidation** - LFE may acquire or establish a business as a platform to acquire other businesses within a fragmented industry.;
- **Break-up** - LFE may acquire a diversified business where it has assessed the constituent businesses to be worth more than the price at which the entire business can be acquired. LFE would then seek to extract value by divesting some or all of the constituent businesses through trade sales or public offerings, or unlocking the value of these businesses in some other manner.;
- **Restructuring** - LFE may invest in a business that, due to mismanagement, inappropriate capital/ownership structure or some other factor, has underperformed or is simply undervalued.;
- **Expansion capital** - LFE may commit capital to fund a business whose growth needs exceed its access to capital through traditional financing sources such as the debt and equity markets.; and
- **Recapitalisation and Acquisition** - LFE may acquire a business whose equity is undervalued because existing management has adopted a sub-optimal capital structure, which may include excessively conservative gearing or retaining cash within the business at sub-optimal rates of return.

LFE may invest in situations which combine several of the examples provided above. Post-investment, an investee business may be operated either as a stand-alone entity

with LFE oversight or integrated within LFE as a business unit under more direct control. This decision will be based on the nature of the investee business, the strength of its management team and the reporting lines that best facilitate active management and monitoring of LFE's investment.

Royalty Stream Acquisition

Early estimated revenues from LFE's acquisition of the royalty stream over shallow gas projects located in Jackson County Texas, under which LFE is entitled to 80% of all income in relation to the projects, are in the order of USD\$1.8million to USD\$3.0 million per annum. Further details will be provided in the abovementioned Explanatory Memorandum. It is emphasised that these are preliminary estimates.

ASX Requirements

LFE will be required to satisfy the requirements ASX imposes on admission to the official list of the ASX and quotation of LFE's shares set out in Chapters 1 and 2 of the ASX Listing Rules, as if LFE was applying for admission to the official list. This would include the issue of an information memorandum or prospectus.

If LFE shareholders approve the change in business activities, then the directors of LFE would seek voluntary suspension of trading in LFE's shares in such circumstances until such time as LFE could satisfy Chapters 1 and 2 of the ASX Listing Rules. Only when LFE can satisfy Chapters 1 and 2 of the ASX Listing Rules, would LFE's shares be reinstated to quotation. Subject to LFE's share price at the time, satisfaction of the ASX Listing Rules may require a consolidation of share capital.

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