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molecularimaging
technegas

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Managing Directors Presentation

Good morning ladies and gentlemen. It is my pleasure to present Cyclopharm's 2008 results and provide you with an update on our business objectives for the first time as your Managing Director.

Cyclopharm has two main business units. Technegas and Molecular Imaging. Technegas was established in 1986 and continues to generate revenues, profit and strong cash flows for the manufacture and distribution of drugs and equipment for lung imaging. Our Molecular Imaging Division utilizes a technology called positron emission tomography or PET. This Division has been created to establish TGA licensed centralized radiopharmacies designed to produce PET radiopharmaceuticals predominantly used in the diagnosis of various cancers.

2008 was a good year for Cyclopharm. Some of the highlights for the past financial year included profits up 55% over 2007 and our earnings-per-share was up 49% over the prior year. Net cash flows were up $3 million at the close of 2008. Even during these difficult economic times, the company successfully raised equity through a rights issue to shareholders. During this period we were also able to increase our debt facilities to fund our future growth.

We have progressed our plans for market development with Technegas and I look forward to sharing those with you a little later in the presentation. We also saw some very encouraging signs for growth in the field of PET with the government increasing the number of funded indications.

The cornerstone of the business since 1986 is Technegas. There are 3 components required for a Technegas procedure: a Technegas generator, a single use Patient Administration Set and a single use patient crucible. All three items are manufactured at Cyclopharm's Australian facility located at Lucas Heights, NSW and in Europe.

Technegas itself is a radioactive nanoparticle that is manufactured and administered to patients onsite within the Nuclear medicine department. We have on display here today a Technegas unit. Many of you have been investing in our technology for quite some time. I thought it would be a great opportunity for you to actually see a unit in person.

We are truly a global company with over 85% of our business generated outside of Australia. Technegas is sold in over 55 countries. Over 2.1 million patients have benefited from our technology and over 1,100 generators have been sold throughout the world. We are

utilizing various business models throughout the world in order to distribute our products. My team and I are currently conducting a review of our global Technegas business. This review is targeting how, where and who we do business with.

In looking at our Molecular Imaging Business, I would first like to state that it is a privilege to be a part of this growing and important area of health care. PET allows physicians to differentiate between healthy and active diseased tissue. This differentiation allows physicians to detect cancer more accurately and earlier than conventional methods. Ultimately PET provides better patient care.

It is an exciting time to be part of this growing diagnostic technique. Technology is evolving at a rapid rate with a focus on multimodality imaging. Multimodality imaging combines the sensitivity of PET with the structural resolution that CT and MRI can provide.

The growth is not only seen with advancements in technology. In Australia the government is supporting growth through additional funding. There are currently six procedures funded by the medical benefits scheme. There are another eight procedures currently under evaluation with the Medical Services Advisory Committee.

In looking at the financials for 2008, certainly our most pleasing result was that our net profit after tax increased 55% over the prior year. While Technegas related sales revenue was flat compared to that of 2007, gross profit margins and profitability improved due to a shift in the sales mix and overall margin improvement.

Margin improvement was achieved predominantly through

1. A focus on the customers and the regions that attract higher margins.
2. A product mix weighted more towards PAS sales than generators
3. When the updated Technegas plus generator was launched in 2006, the company discounted the units in order to gain rapid market penetration. These discounts were not continued in 2008.

This slide is to remind our shareholders that we historically have stronger second half results than the first half. 2009 will be no different.

I would like to thank you our shareholders for your continued support. The Company raised $3.18m through a fully subscribed rights issue (before issue costs of $0.15m). The Company's debt facilities were increased to $6.45m based on our strengthened balance sheet and robust cash flows. I would also like to thank our Bankers, Nab Health for their belief in our business. This belief is founded on our ability to generate strong cashflows and our 2 fold business plan for growth.

Cash is King. In today's economic environment this saying has never been more true. Our company has a long history of cash generating capability. It is through this cash generation that we are able to continue to fund our objectives.

I would now like to share with you a brief business overview for 2009.

We submitted our new drug application for Technegas to the United States FDA in December last year. Based on the feedback that we received from the FDA, we decided to withdraw our application.

In April I meet face-to-face with the FDA. I can report that the agency was both engaged and supportive; but, they were very clear of the pathway they will apply in approving our product.

I would like to emphasize a very important point that has been misunderstood. This is the first time that the company has ever submitted a formal new drug application in it's entirety.

Since the 1990s the company has been in discussions with the FDA regarding various clinical trial protocols. However, it wasn't until our application was submitted a few months ago that we were actually in a position to receive a comprehensive formal review. Based on the feedback we have received both written and in person, we are now in a much better position to provide the FDA what they require.

While we are disappointed that there will be delays in entering the United States market, we now know what we have to do to achieve a successful outcome. It is a prize worth having. Of the 15,000 nuclear medicine departments in the world, half are in the United States.
We are submitting a roadmap plan to the FDA in the coming few months. At this stage, conservatively, we are looking at an early 2011 approval target date.

We are pleased to report that our success and reputation around the world precedes our entry into the United States. By that I mean that, even though we do not have approval in the USA yet, we are seen as the ventilation agent of choice in the United States. PIOPED stands for "Prospective Investigation of Pulmonary Disease". There has been a series of the studies over the years. These studies are considered to be the standard for care in the United States.

The PIOPED investigators contacted us in December last year requesting our participation in a new trial they were developing. Ten of the leading teaching hospitals in the United States are among the clinical trial centres. Ironically, at present, the National Institute of Health has delayed funding and won't go forward until Technegas is approved in the United States. Once we do get Technegas approved in the USA, we could not ask for a better entry into the market than being associated with these centres.

As for our Molecular Imaging Business progress I am pleased to report that the hospital at Macquarie University is progressing well and the bunker to house our cyclotron is in. We are receiving the final tenders for fit out and internal construction will commence next month.
We are targeting commercialization in December this year.
I have committed to the strategy of getting our first site right. Once we achieve this, replicating our experience to other locations can be done more rapidly.
We are also engaged in discussions to develop other Molecular Imaging opportunities.

In summary, the salient points of 2008 were:

- We exceeded our 2007 profits by 55%
- We maintained our strong cash position
- The path toward marketing approval in the USA is better defined
- Our growth strategy for Molecular Imaging is on track

I would like to take this opportunity to thank my fellow Directors and my team for their support.

Lastly, I want to thank you our shareholders for your continued belief in our company. Together we are making a difference in peoples' lives every day.

James McBrayer
Managing Director