CYCLOPHARM LIMITED

(ABN 74 116 931 250)

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

30 June 2006

Contents

Managing Directors Report

I am delighted to report to shareholders for the first time.

All of us at Cyclopharm are excited by the opportunity to create Australia's best and first commercial radiopharmaceutical company. In terms of our existing business, we have world leading patented products in Technegas and exclusive access to new technology relating to the production of Positron Emission Tomography (PET) biomarkers. This will provide us with a new line of complimentary products to the Nuclear Medicine community. We have entered into an agreement with Cyclopharma Laboratories SA of France, which enables us to use and sell a new type of Cyclotron, and associated production tools developed by Thales and Cyclopharma. These assets, together with specialised expertise, are used in the production of PET biomarkers.

PET biomarkers provide cutting edge technology to diagnostic and prognostic medicine for cancer, neurological diseases, and more recently in cardiology and oncology worldwide. These diseases afflict the largest ageing population segment and hence provide a very large market segment. We are convinced that a very significant opportunity exists in this market and that our exclusive access to this new technology will provide us with a substantial competitive advantage in the production of PET biomarkers.

PET radiotracers and / or biomarkers provide a well-established diagnostic modality to the Nuclear Medicine community while enabling the physicians and oncologists to prognosticate the fate of diseased patients. In addition, they provide the physician with tools to assess efficacy of therapy regimes and decision points to modify therapeutic programs to enhance patient outcomes and save therapy costs to the health delivery system. Recent developments in medical imaging technology have provided the impetus to a booming PET imaging business across various parts of the world. Research advances in this area are exemplified by an exploding increase in publications and the development of targeting PET Biomarkers for applications in Molecular Imaging and Nuclear Medicine. The last annual Society of Nuclear Medicine Conference held in San Diego, CA, USA had over 1500 presentations from 42 countries. Approximately 60% of these presentations used PET as the investigational tool. These numbers are the best predictive tool for the PET market since clinical investigations are the precursors to commercial products. Of particular interest to our business is the increase in the use of PET radioisotopes and the primary biomarker product for Cyclopharm: Fluorine-18 radiolabeled Deoxy Glucose commonly referred to as "FDG". We intend to complement FDG with other biomarkers targeting cancer, neurological (Dementia & Parkinson's) and cardiac diseases.

Demand in many parts of the world for PET biomarkers is substantially outstripping supply, and the growth in many developed markets has been spectacular. For instance, in the USA, the numbers of camera's available to conduct PET studies has increased 10 times in recent years, and in France, camera numbers mandated by the French government has increased from 8 in 2001, to 125 at the end of 2006 (an increase of 1500 % in 5 years). In Australia, we have moved from 1 PET camera in 2001 to 15 in use or being commissioned now, and we believe that there will be 25 camera's available to conduct PET studies by 2008. We believe this means the Australian market will have grown by 2400% in those 7 years. It is in this environment that we convinced Cyclopharm, which aims to become Australia's largest commercial producer of PET biomarkers will flourish.

Since early 2001, our partner in France, Cyclopharma Laboratories, has been working towards and developing technologies, strategies and know-how in relation to the production of PET biomarkers. We have observed the boom in demand in other markets around the world and we have purposefully gone out to recruit the best resources in the industry to help us achieve our goal. We are delighted that Professor Nabil Morcos has joined us to share our vision and create something very special. We are equally delighted that Dr Bernard Salin, has agreed to join our board as a non executive director.

Managing Directors Report (continued)

Fund raising

We are currently well advanced in terms of raising enough money to achieve our initial goals. Cyclopharm has raised or has commitments for $2.0 million in a pre IPO round of funding which we intend to use to finalise our NDA in the United States of America, and commence the construction and development of our first PET biomarker production site. In total, Cyclopharm has issued 6,666,666 shares to new shareholders at $0.30 cents per shares Cyclopharm's success in raising money at $0.30 cents per share represents a substantial increase in value over the $0.21 per share that was paid in April 2006 by Noteholders of Vita Life Sciences Ltd.

As announced earlier, our plans are to complete an IPO during 2006, (or during the first quarter of 2007 at the latest) and we believe this will be the final tool necessary to deliver on our vision to become Australia's most successful radiopharmaceutical company.

Investing in people

As mentioned above, we have recruited Prof Nabil Morcos who was formerly the Head of Radiopharmaceutical Research Institute at ANSTO (Australian Nuclear Science and Technology Organisation). Professor Morcos has joined our group as the Chief Operating Officer and Director of Science. He holds a Ph.D. in Nuclear and Radiochemistry and a professor position in the Nuclear Physics and Environmental Engineering Departments at Vanderbilt University (Nashville TN, U.S.A.). He did several stints at Brookhaven National Laboratory (U.S.A.) in the Chemistry and Radioactive Waste Management Divisions in support of the U.S. Nuclear Regulatory Commission with respect to waste form characterisation and performance. He spent a total of twelve years in the Radiopharmaceutical research industry where he developed several products from concept to market and patents including the Squibb Tc-99^{m} generator. He holds 16 patents in the radiopharmaceutical arena and related medical areas. He also spent the last ten years before joining ANSTO working for the U.S. DOE at INEEL and Hanford working on the Plutonium Production Legacy Waste as a radiochemistry and safety advisor to the DOE. He has authored and co-authored more than 50 peer-reviewed publications, a reference textbook, 2 book chapters, and co-discovered several radioisotopes and isomeric states.

Prof Morcos is a world leader in Nuclear Medical technologies and is a highly respected figure.

Dr Bernard Salin has agreed to join the board of Cyclopharm as a non executive director. Dr Salin is the President of Laboratoires Cyclopharma SA and has been our business partner since 2000, with his company taking the major role in distributing Technegas in Europe. Dr Salin holds a Ph.D. in Biophysics and Biochemistry from University of Paris (la Sorbone) and is also according to the "code national Français de la Santé" expert in Radioprotection for Sealed and non Sealed Sources.

Dr Salin has outstanding business experience and has held several key executive positions including President and CEO for Pfizer Europe Diagnostics Division. In 2000 he founded and became Chairman of Cyclopharma Laboratoires SA, which has developed a completely new fully automated radiopharmaceutical production centre (industrial cyclotron and production tools) process for short life PET isotopes. As noted earlier, this technology has been licensed to Cyclopharm for the Asia Pacific market. Dr Salin also has a broad research experience from his years at the Atomic Energy Centre, Saclay, France.

New Drug Application program

Our New Drug Application program for the sale of Technegas in the United States continues on a satisfactory basis. As previously advised, we have 6 sites now conducting patient studies, or in the process of commissioning the collection of data relating to patient studies. There are three Canadian "academic" hospitals that have agreed to be part of the program, being Toronto General Hospital, Memorial University of New Foundland and Queen Elizabeth II Health Sciences Centre, and in Australia our hospitals are St George Public Hospital and Royal Perth Hospital.

Managing Directors Report (continued)

To date, we have finalised 118 of a total of 170 required patient studies in our Phase III trial with the FDA in the United States. We are on track to complete our study by the end of the first half of 2007 and we are hopeful that, given an FDA approval, we will be selling Technegas in the United States sometime during 2008. This represents a very real opportunity for Cyclopharm, as the market in the United States is more than double the size of that in the rest of the world. Perhaps, to give shareholders a clearer understanding of the size of he opportunity, we are hopeful that within three years of operating in the United States, revenue from our operations there will be double the revenue we currently generate from the rest of the world. This is based on our assumption that we can win as little as 10% of the market share during those three years. To that end, we are encouraged by our performance in the other North American market, Canada, which we think represents a reasonable proxy for the United States market. We have achieved a market share of 30% in Canada within the last three years since we entered.

Financial Summary

Despite the restructure of the group under the new holding company, Cyclopharm Limited effective 31 May 2006, the financial results presented in this report represent the results of the group for the full six month period ended 30 June 2006.

Aggregate sales for the group for the full six month period of $4.36 million are comparable with the same period last year. Importantly, these figures only included revenue from the sale of the new TechnegasPlus generator for May and June when it was released to the market. The full benefits from the sale of TechnegasPlus will be reflected in the second half as backorders are filled. Operating costs are up slightly as we invested in our people and expensed one-off items relating to the production of the new TechnegasPlus generator.

Again, on a comparable aggregated basis, sales volumes of Patient Administration Sets are up slightly at 1,589 boxes when compared to the same period last year of 1,570 boxes.

At the beginning of the year we were budgeting for a record year of sales of Technegas Generators as a result of the launch of the new TechnegasPlus generator. Demand for the new generator continues to be very strong. However, we have experienced some delays in production as suppliers adjust to the new specifications and componentry for the generator. We believe we have worked with our suppliers to overcome the "teething" problems associated with the new generator and we are expecting a very strong second half.

Summary

Finally, I am optimistic about the future of Cyclopharm. There are a number of very substantial opportunities ahead for us, and we hope that by the end of the year, we can report further on our rapid expansion and our achievement against our plans.

By way of our recent appointments of personnel and the initial fund raising we have substantially increased our expertise and skills and Cyclopharm now has the intellectual and financial capacity to successfully implement our plans and by doing so we have achieved the first step in our strategy to become the regions leading radiopharmaceutical company listed on the ASX.

John Sharman
Director
14 December 2006

Director's Report

Your Directors present their report on the consolidated entity consisting of Cyclopharm Limited ("Cyclopharm") and the entities it controlled at the end of, or during, the half year ended 30 June 2006.

Directors

The following persons were Directors of Cyclopharm Limited during or since the end of the financial year:

Vanda R Gould (Chairman)
John S Sharman (Managing Director)
Henry G Townsing

Vanda Gould held office during the whole financial year and continues in office at the date of this report..

John Sharman held office during the whole financial year and was appointed Managing Director on 1 September 2006.

Henry Townsing held office during the whole financial year and continues in office at the date of this report.

Dr Bernard Salin was appointed as a non executive director on 1 September 2006.

Mr David Heaney was appointed as a non executive director on 1 December 2006

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of the manufacture and sale of medical equipment and radiopharmaceutical drugs, including associated research and development.

Financial Results

During the period the economic entity recorded a profit after tax from ordinary activities of $868,033.

Dividends

No dividends were paid by the company during the reporting period.

Significant Changes in State of Affairs

During the period the company completed the acquisition of various entities from the Vita Life Sciences Ltd (VLS) Group, thereby reconstructing the medical diagnostic business of VLS of under a new sub-holding entity – Cyclopharm Limited.

Other Directors report disclosure requirements

The following have been disclosed in the Managing Directors report:

- Review of operations;
- Likely development and expected results of operations.

After balance date events

Mr John Sharman
We are pleased to advise that Cyclopharm Limited has agreed to new terms with Mr Sharman whereby his full time responsibilities will focus on Cyclopharm. Together with Prof Morcos they will be responsible for executing Cyclopharm's business plans and strategies.

Appointment of Prof Nabil Morcos
Professor Nabil Morcos has jointed our group as the Chief Operating Officer and Director of Science at Cyclopharm. He holds a Ph.D. in Nuclear and Radiochemistry and a professor position in the Environmental Engineering Department at Vanderbilt University (Nashville TN, U.S.A.). He has authored and co-authored more than 50 peer-reviewed publications, a reference textbook, 2 book chapters, and co-discovered several radioisotopes and isomeric states.

Directors' Report (continued)

Appointment of Dr Bernard Salin - Non Executive Director for Cyclopharm
Dr Bernard Salin has agreed to join the board of Cyclopharm Limited. Dr Salin has worked with our group since 2000 and is President of Laboratoires Cyclopharma SA. Dr Salin holds a Ph.D. in Biophysics and Biochemistry from University of Paris (la Sorbone). Bernard is also according to the "code national Français de la Santé" expert in Radioprotection for Sealed and non Sealed Sources. Dr Salin has held several key executive positions including President and CEO for Pfizer Europe Diagnostics Division.

Fundraising for Cyclopharm

Cyclopharm Limited by way of placement allotted 5,651,000 new ordinary shares at $0.30 each during September 2006. These monies will be used by Cyclopharm to fund the balance of costs associated with the Company's application to the USA Food & Drug Administration to facilitate sale of Technegas in the USA.

Shareholdings

During May 2006, Vita Life Sciences Limited, the controlling shareholder sold 5,828,000 shares in Cyclopharm.

In November 2006, Vita Life Sciences Ltd, the controlling shareholder, sold 58,995,547 shares it held in Cyclopharm to 722 shareholders pursuant to a Supplementary Prospectus issued by Vita Life Sciences Limited dated 10 October 2006. Consequently, Vita Life Sciences Limited's ownership in Cyclopharm has reduced from 64.3% to 11.8% at the date of this report.

Environment regulations

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the board believe that the consolidated entity has adequate systems in place for the management of its environmental requirements as they apply to the consolidated entity.

Retirement, election and continuation in office of Directors

As Cyclopharm Limited is a newly constituted company, no Directors are up for re-election

Insurance of officers

During the year the Company was unable to obtain Directors insurance. The Officers of the company who were not covered by any insurance policy include the Directors, the Company Secretary and Executive Officers.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or any related body corporate. In accordance with the Company's constitution and section 199A of the Corporations Act 2001 the company has resolved to indemnify its Directors and officers for a liability to a third party unless it arises out of conduct which is not in good faith.

The indemnification of the Directors and officers will extend for a period of at least 6 years in relation to events taking place during their tenure (unless the Corporations Act 2001 otherwise precludes this time frame of protection.)

Related party transaction

During the half year CVC Venture Managers Pty Ltd ACN 002 700 361 was paid consultancy fees by Cyclopharm's parent company, Vita Life Sciences Limited. Mr John Sharman and Mr Vanda Gould are both Directors of CVC Venture Managers Pty Ltd and Vita Life.

Mr Vanda Gould does not receive any remuneration from CVC Venture Managers.

Directors' Report (continued)

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Directors.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Dated in Melbourne this 14th day of December 2006.

Signed in accordance with a resolution of the Board of Directors.

John Sharman
Director

Auditors Independence Declaration

Gould
Ralph & Company
Chartered
Accountants

14 December 2006

The Board of Directors
Cyclopharm Limited
Post Office Box 350
Menai Central 2234 NSW
Australia

Dear Members of the Board,

AUDITORS INDEPENDENCE DECLARATION

This declaration is made in connection with our review of the financial report of the consolidated entity consisting of Cyclopharm Limited and the entities it controlled at 30 June 2006, or during the six months ended 30 June 2006, and in accordance with the provisions of the Corporations Act 2001.

We declare that to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia;

in relation to this review.

Yours faithfully,
GOULD RALPH & COMPANY

G C RALPH, M.COM, FCA
Partner

Consolidated Income Statement

Cyclopharm and its Controlled Entities

for the half-year ended 30 June 2006

	Note	Consolidated 30 June 2006 $	Consolidated 30 June 2005 $
Continuing operations			
Revenue			
Sale of goods		4,357,423	4,360,776
Finance income		4,219	9,989
		4,361,642	**4,370,765**
Raw Materials and consumables used		(1,045,817)	(1,005,915)
Employee benefits expense		(1,139,192)	(913,757)
Advertising and promotion expenditure		(59,265)	(29,670)
Depreciation and amortisation expense		(43,442)	(36,161)
Freight and duty expense		(102,957)	(97,666)
Finance costs		(25,694)	(12,663)
Research and development costs		(61,203)	(82,168)
Administration expense		(823,363)	(770,280)
Other expenses		(106,019)	(161,320)
Profit before income tax expense		**954,690**	**1,261,165**
Income tax expense		(86,657)	(128,824)
Profit for the period		**868,033**	**1,132,341**
Net profit attributable to minority interests		**-**	**(33,574)**
Profit attributable to members of the parent entity		**868,033**	**1,098,767**

The income statement should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

Cyclopharm and its Controlled Entities

as at 30 June 2006

	Notes	Consolidated 30 June 2006 $	Consolidated 31 December 2005 $
ASSETS			
Current Assets			
Cash and cash equivalents	3	540,822	152,552
Receivables	4	2,488,240	2,562,246
Inventories	5	1,545,620	1,217,353
Deferred tax assets		151,935	92,902
Other		154,002	183,915
Total Current Assets		4,880,619	4,208,968
Non-Current Assets			
Receivables	4	118,670	-
Property, plant and equipment	6	973,454	1,088,526
Intangible assets	7	206,684	204,564
Total Non-Current Assets		1,298,808	1,293,090
Total Assets		6,179,427	5,502,058
LIABILITIES			
Current Liabilities			
Trade and other payables	8	1,762,320	1,597,251
Income tax payable		151,393	41,732
Borrowings	9	6,981,179	-
Provisions	10	200,614	146,443
Total Current Liabilities		9,095,506	1,785,426
Non Current Liabilities			
Borrowings	9	-	518,705
Deferred tax Liability		70,105	63,513
Provisions	10	113,232	88,606
Total Non Current Liabilities		183,337	670,824
Total Liabilities		9,278,843	2,456,250
Net Assets		**(3,099,416)**	**3,045,808**
EQUITY			
Issued capital	11	5,132,627	5,132,627
Other contributed equity		(5,228,082)	1,294,724
Foreign Currency Translation Reserve		(487,219)	(624,412)
Retained profits/ (accumulated losses)		(2,516,742)	(2,690,315)
Parent entity interest		(3,099,416)	3,112,624
Minority interests		-	(66,816)
Total equity		**(3,099,416)**	**3,045,808**

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Cyclopharm and its Controlled Entities

as at 30 June 2006

	Issued Capital $	Other Contributed Equity $	Retained Earnings $	Foreign Currency Translation Reserve $	Attributable to Equity Holders of the Parent $	Minority Interest $	Total $
Balance as at 1 January 2005	5,132,627	848,412	(2,460)	49,913	6,028,492	(120,813)	5,907,679
Currency translation differences	-	-	-	(513,777)	(513,777)	-	(513,777)
Net income recognised directly in equity	-	-	-	(513,777)	(513,777)	-	(513,777)
Profit for the period			1,098,763		1,098,763	33,574	1,132,337
Total recognised income and expense	-	-	1,098,763	(513,777)	584,986	33,574	618,560
Other contributed equity arising from transfer of tax liabilities to ultimate parent entity	-	130,876	-	-	130,876	-	130,876
Minority interest in share capital and reserves	-	-	-	-	-	(806)	(806)
Balance as at 30 June 2005	**5,132,627**	**979,288**	**1,096,303**	**(463,864)**	**6,744,354**	**(88,045)**	**6,656,309**
Balance as at 1 January 2006	5,132,627	1,294,724	(2,690,315)	(624,412)	3,112,624	(66,816)	3,045,808
Currency translation differences	-	-	-	137,193	137,193	-	137,193
Net income recognised directly in equity	-	-	-	137,193	137,193	-	137,193
Profit for the period	-	-	868,033		868,033	-	868,033
Total recognised income and expense	-	-	868,033	137,193	1,005,226	-	1,005,226
Other contributed equity adjustment arising from transfer of tax liabilities/(benefits) to ultimate parent entity	-	(2,957)	-	-	(2,957)	-	(2,957)
Acquisition of minority interests in controlled entities	-	(6,519,849)	-	-	(6,519,849)	66,816	(6,453,033)
Payment of dividends	-	-	(694,460)	-	(694,460)	-	(694,460)
Balance as at 30 June 2006	**5,132,627**	**(5,228,082)**	**(2,516,742)**	**(487,219)**	**(3,099,416)**	**-**	**(3,099,416)**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

Cyclopharm and its Controlled Entities

for the half-year ended 30 June 2006

	Consolidated 30 June 2006 $	Consolidated 30 June 2005 $
Cash flows from operating activities		
Receipts from customers	4,395,753	3,896,537
Payments to suppliers and employees	(3,553,112)	(2,534,043)
Interest received	3,545	7,626
Income tax received/(paid)	(30,693)	(19,104)
Net cash flows from operating activities	**815,493**	**1,351,016**
Cash flows from investing activities		
Purchase of property, plant & equipment	(13,233)	(67,112)
Payments for research and development	(40,752)	-
Payments for FDA approval	(65,805)	172
Proceeds from sale of short term investments	800	-
Net cash flows from investing activities	**(118,990)**	**(66,940)**
Cash flows from financing activities		
Loans (to) related entities	(530,909)	(1,261,995)
Loans from related entities	209,740	-
Net cash flows from financing activities	**(321,169)**	**(1,261,995)**
Net increase (decrease) in cash and cash equivalents	**375,334**	**22,081**
Cash and cash equivalents at beginning of the period	152,552	356,186
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	12,936	(26,712)
Cash and cash equivalents at end of the period	**540,822**	**351,555**

The cash flow statement should be read in conjunction with the accompanying notes.

Note 1. Basis of Preparation of Half-Year Financial Statements

The half-year consolidated financial statements ("Interim Financial Report") are a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard *AASB 134: Interim Financial Reporting*, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs.

Note 2. Accounting Policies

(a) Basis of consolidation

The half-year consolidated financial statements comprise the Interim Financial Statements of Cyclopharm Limited and its subsidiaries as at 30 June each half-year ('the Group').

All controlled entities have a December financial year end and use consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions between entities in the economic entity, including unrealised profits or losses arising from intra-group transactions, have been eliminated in full on consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Cyclopharm Limited has control.

The Directors have identified that the business combination, encompassing the restructure of the Cyclopharm Group that occurred in May 2006 constituted a reverse acquisition as defined under AASB3 - Business Combinations. Accordingly the consolidated financial statements have been issued under the name of the new legal parent, Cyclopharm Limited, but reflect a continuation of the financial statements of the Vita Medical Australia Pty Ltd (the financial parent) and the economic entity that existed prior to the business combination/reorganisation.

For business combinations involving entities under common control, which are outside the scope of *AASB 3: Business Combinations*, the Company applies the purchase method of accounting by the legal parent.

(b) Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars (Aud $) which is the parent entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items that are measured in terms of historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. On disposal of a foreign entity the deferred cumulative amount in equity is recognised in the income statement.

Group companies

The functional currency of the overseas subsidiaries Vitamedica Europe Limited, Cyclomedica Germany GmbH, Cyclomedica Europe Limited, is European Euro (Euro €) and Vita Medical (Canada) Limited is Canadian dollars (Can $).

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at the weighted average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction

Exchange differences arising on the translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the entity is disposed.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference in the income statement.

(c) Property, plant and equipment

Plant and Equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and Equipment	10 - 33%
Leasehold Improvements	20 - 50%
Motor Vehicles	20 - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

(e) Intangibles

Goodwill

Goodwill on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'administrative expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is probable that future benefits will exceed deferred costs and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the costs over a period during which the related benefits are expected to be realised.

Development expenditure is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Capitalised development expenditure is measured at cost less any accumulated impairment losses.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value where net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress: cost of direct materials and labour and an appropriate portion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, short-term deposits with an original maturity of three months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result and that an outflow can be reliably measured.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(k) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Leases

Finance Leases

Leases of fixed assts, which substantially transfer to the Group all the risks and benefits incidental to ownership of the leased item, but not the legal ownership, are classified as Finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

(m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership and therefore control of the goods have passed to the buyer and can be measured reliably. Control is considered to have passed to the buyer at the time of delivery of the goods to the customer.

Consequently, transfers of goods to major distributors are recognised as consignment inventory only. Revenue is recognised upon the achievement of "in-market" sales.

Interest
Revenue is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends
Dividends and distributions from controlled entities are recognised as revenue when they are declared by the controlled entities.

Dividends from associates and other investments are recognised as revenue by the when dividends are paid. Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Research and development grants
Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue.

All revenue is stated net of the amount of goods and services tax ("GST").

(n) Income tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly t equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future are based on the assumption that no adverse change in income taxation legislation and the anticipation that the economic entity will derive sufficient assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(o) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred is not recoverable from the Australian Taxation Office("ATO"), and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows are presented in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

(p) Financial Instruments Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(q) Going Concern

Whilst the economic entity's balance sheet shows a net deficiency of $3,099,416, the principles of reverse acquisition accounting do not facilitate a fair valuation of the underlying businesses. The directors believe a significantly greater sum would be received on any realisation of assets.

Additionally, the company is currently undertaking a public offering to, *inter alia*, raise further working capital which is expected to restore the balance sheet to positive equity in the short term. The public offering will also facilitate the listing of the company's shares on the ASX.

The former ultimate parent entity has indicated it would support the company if required in the short term. Accordingly, the directors believe the company will be able to meet its debts as and when they fall due.

	Consolidated 30 June 2006 $	Consolidated 31 December 2005 $
Note 3. Cash and cash equivalents		
Cash	**540,822**	**152,552**
Note 4. Receivables		
Current		
Trade debtors	2,656,745	2,776,176
Provision for impairment	(451,290)	(448,693)
	2,205,455	2,327,483
Other debtors	282,785	234,763
	2,488,240	**2,562,246**
Non-Current		
Related party receivables	**118,670**	**-**
Note 5. Inventories		
Raw materials - at cost	538,990	552,278
Finished goods - at lower of cost or net realisable value	1,006,630	665,075
	1,545,620	**1,217,353**
Note 6. Property, plant and equipment		
Leasehold improvements		
At cost	198,850	198,850
Accumulated depreciation	(166,757)	(163,932)
	32,093	34,918
Plant and equipment		
At cost	1,409,808	1,748,356
Accumulated depreciation	(790,076)	(702,213)
	619,732	1,046,143
Leased plant and equipment		
At cost	739,638	156,590
Accumulated depreciation	(418,009)	(149,125)
	321,629	7,465
Total carrying value	**973,454**	**1,088,526**
Note 7. Intangible assets		
Product development costs - at cost	**206,684**	**204,564**
Note 8. Current trade and other payables		
Trade creditors	1,052,147	1,103,413
Other creditors and accruals	710,173	493,838
	1,762,320	**1,597,251**

	Consolidated 30 June 2006 $	Consolidated 31 December 2005 $
Note 9. Borrowings		
Current		
Interest bearing loans from related entities - unsecured	612,927	-
Loans from related entities - unsecured	6,368,252	-
	6,981,179	**-**
Non-current		
Loans from related entities - unsecured	-	**518,705**
Note 10. Provisions		
Current		
Employee benefits	148,114	108,943
Warranties	7,500	7,500
Other	45,000	30,000
	200,614	**146,443**
Non current		
Employee benefits	113,232	88,606
	113,232	**88,606**
Note 11. Contributed Equity		
Issued capital		
106,666,667 (31/12/2005: 5,132,627) Ordinary shares, fully paid	5,132,627	5,132,627
Other contributed equity	(5,228,082)	1,294,724
	(95,455)	**6,427,351**

Note 12. Segments

Geographic Segments

6 months ended 30 June 2006	Australia $	Asia $	Europe $	Canada $	Other $	Consolidated $
Sales Revenue	821,704	98,286	3,014,422	364,175	58,836	4,357,423
Other	4,219	-	-	-	-	4,219
Total revenue	**825,923**	**98,286**	**3,014,422**	**364,175**	**58,836**	**4,361,642**
Segment operating profit/ (loss) before income tax and minority interest	(949,953)	(9,925)	1,666,888	204,884	42,796	954,690
Income tax expense	54,196	-	(140,853)	-	-	(86,657)
Profit from ordinary activities after income tax	(895,757)	(9,925)	1,526,035	204,884	42,796	868,033

Inter-segment pricing is determined on an arm's length basis.

Industry Segments

The economic entity operates wholly within the one industry segment, being the manufacture and sale of medical diagnostic equipment and associated consumables.

Note 13. Additional financial instruments disclosure

(a) Interest rate risk

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing in 1 to 5 years	Fixed interest maturing in More than 5 years	Non-interest bearing	Total
30 June 2006								
Financial assets								
Cash assets	3	4.15%	540,822	-	-	-	-	540,822
Receivables	4	-	-	-	-	-	2,606,910	2,606,910
			540,822	-	-	-	**2,606,910**	**3,147,732**
Financial liabilities								
Payables	8	-	-	-	-	-	1,762,320	1,762,320
Loans -- related entity	9	6.5%	-	612,927	-	-	-	612,927
Loans – related entity	9	-	-	-	-	-	6,368,252	6,368,252
Employee entitlements	10	-	-	-	261,346	-	-	261,346
			-	**612,927**	**261,346**	**-**	**8,130,572**	**9,004,845**
31 December 2005								
Financial assets								
Cash assets	3	3.65%	152,552	-	-	-	-	152,552
Receivables	4	-	-	-	-	-	2,562,246	2,562,246
			152,552	-	-	-	**2,562,246**	**2,714,798**
Financial liabilities								
Payables	8	-	-	-	-	-	1,597,251	1,597,251
Loans	9	-	-	-	-	-	518,705	518,705
Employee entitlements	10	-	-	-	197,549	-	-	197,549
			-	**-**	**197,549**	**-**	**2,115,956**	**2,313,505**

(b) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

The carrying amounts of bank term deposits, trade debtors, other debtors, bank overdrafts, accounts payable, bank loans, lease liabilities, dividends payable, and employee entitlements approximate fair value. Lease liabilities, dividends payable, and employee entitlements approximate fair value. The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

Note 14. Business Combination and restructure

During the half-year, the consolidated entity was restructured whereby a subsidiary of Cyclopharm Limited, Vita Medical Australia Pty Ltd acquired all of the assets, liabilities and business from Vita Medcal Limited, the former group parent.

With effect on 31 May 2006, Cyclopharm Limited also acquired 100% of the other group operating subsidiaries from the ultimate holding company, Vita Life Sciences Limited. Accordingly the group now comprises Cyclopharm Limited and the following wholly owned subsidiaries:

- Vita Medical Australia Pty Ltd
- Vitamedica Europe Limited
- Cyclomedica Europe Limited
- Vita Medical Canada Limited
- Cyclomedica Germany GmbH
- Allrad 28 Pty Ltd
- Allrad 29 Pty Ltd

These entities collectively comprise the medical diagnostic equipment and associated consumables business formerly operated as the Vita Medical Group – now known as the Cyclopharm Group. The transaction has been accounted for as a 'reverse acquisition' as defined in AASB 3 – Business Combinations whereby Cyclopharm Limited is the legal parent and Vita Medical Australia Pty Limited is the financial parent, which for accounting purposes is deemed to be the acquirer.

Notwithstanding, there has been no financial effect on the consolidated entity as a result of the restructure save that the cost of acquisition of minority interests in controlled entities from the former ultimate parent of $6,519,849 has been recognised in equity (as required by AASB 127).

Certain non-operating group entities, including the dormant Vita Medical Limited, Tetley Treadmills Pty Limited and Tetley Research Pty Ltd do not continue in the Cyclopharm Group.

Note 15. Events subsequent to balance date

Borrowings
On 19 July 2006, Cyclopharm Limited entered into a debt facility with the National Australia Bank for $6.0m. Subsequently, $5.7m was drawn to substantially repay the loan from Vita Life Sciences Limited.

Fundraising for Cyclopharm
Cyclopharm Limited, by way of placement, allotted 5,651,000 new ordinary shares at $0.30 each during September 2006. These monies will be used by Cyclopharm to fund the balance of costs associated with the Company's application to the USA Food & Drug Administration to facilitate sale of Technegas in the USA.

Shareholdings
During November 2006, Vita Life Sciences Ltd (VLS), the controlling shareholder, sold 58,995,547 shares it held in Cyclopharm to 722 shareholders pursuant to a Supplementary Prospectus issued by VLS dated 10 October 2006. Consequently, VLS's ownership in Cyclopharm has reduced from 64.3% to 11.8% at the date of this report.

Director's Declaration

Cyclopharm Limited

for the half-year ended 30 June 2006

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 23:

   a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

   b) give a true and fair view of the economic entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

John Sharman
Director

Dated this 14th day of December 2006

Independent Review Report

Gould Ralph & Company Chartered Accountants

TO THE MEMBERS OF CYCLOPHARM LIMITED

Scope

We have reviewed the financial report of Cyclopharm Limited for the half-year ended 30 June 2006 as set out on pages 10 to 24. The company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the economic entity's financial position, and performance as represented by the results of its operations and its cash flows.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001.*

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cyclopharm Limited is not in accordance with:

(a) the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the company's consolidated financial position as at 30 June 2006 and of its consolidated performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

GOULD RALPH & COMPANY
Chartered Accountants

GREGORY C. RALPH, M.Com, F.C.A.
Partner
Sydney, 14 December 2006