cyclopharm
Nuclear Medicine

cyclomedica
molecularimaging
technegas

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The Manager
Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
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Managing Director's Presentation

Good morning ladies and gentlemen. It is my pleasure to present Cyclopharm's 2009 results and provide you with a progress update on our business activities and objectives.

This time last year Cyclopharm had two business units, Technegas and our Radiopharmaceutical division. In our commitment to continue to grow and diversify this company, we have added a third element to our offering with the provision of diagnostic imaging services.

Technegas, the foundation product of our business, was established in 1986. Technegas continues to generate consistent revenues, profits and strong cash flows. It is the globally recognized nuclear medicine agent of choice for lung ventilation imaging.

Our Radiopharmaceutical 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. These radiopharmaceuticals are predominantly used in the diagnosis of various cancers.

Our first foray into the provision of diagnostic imaging services is Macquarie Medical Imaging, a joint venture between CycloPET and Alfred Health Solutions. MMI has the exclusive rights to all imaging services at Macquarie University Hospital. I will provide more detail about this exciting opportunity later in my presentation.

2009 HIGHLIGHTS
2009 was a good year for Cyclopharm. Some of the highlights for the past financial year included:

- Net profit after tax of $2 million, up 19% over 2008 and an earnings-per-share consistent to that of the prior year;
- We achieved revenues of $11 million, an improvement of 2% over prior year;
- We reached a settlement in our arbitration with Clinquest resulting in receipt of US $1.8 million;
- Our PET nuclear pharmacy development program is on track;
- Cyclopharm expanded our business interests into diagnostic imaging; and
- We moved a step closer towards FDA approval.

Technegas
The cornerstone of the business since 1986 is Technegas. Just to recap on the technology, 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 both at Cyclopharm's Australian facility located at Lucas Heights, NSW and in Europe. Technegas itself is a radioactive nanoparticle that is produced and administered to patients onsite within the Nuclear medicine department.

We are truly a global company with over 85% of our business generated outside of Australia. Technegas is sold in over 55 countries. Over 2.4 million patients have benefited from our technology and over 1,100 generators have been sold throughout the world. We are utilizing various business models globally in order to distribute our products.

I am pleased to report that we recently renewed our distribution contract with our business partners in France. France is the largest single market for Technegas in the world.

My team and I are focused on servicing our traditionally strong markets and seeking growth in newer markets such as Korea, Japan, Latin America, China, Russia and of course the United States.

I acknowledge both your patience and frustration with the time spent in seeking US approval. Your Directors share your frustration; however, we have recently received a positive response from the FDA that I will share with you later in the outlook section of my report.

Radiopharmaceuticals for PET
PET assists physicians to differentiate between healthy and active diseased tissue. PET is primarily used for cancer. PET allows the clinician to differentiate a disease state at its molecular level. 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. Not only are there advancements in imaging technology but we are also seeing advancements in radiopharmaceutical development beyond cancer such as indications in neurology and oncology.

We are also pleased to finally see the Australian government supporting PET through additional funding. There are currently six procedures funded by the medical benefits scheme. There are another eight procedures currently under evaluation. The Department of Health and Aging is also conducting a review of how PET is delivered to patients. We expect that the current restrictions will be relaxed allowing for additional cameras and improving patient access.

Our first cyclotron facility located at Macquarie University Hospital (MUH) is of strategic importance. MUH will have a 183 bed facility supporting 12 operating theatres and is designed to be a clinical centre of excellence in oncology and neurology. It will be Australia's first privately owned, campus-based university hospital and will combine academic medicine with group practice. As Australia's newest university hospital, MUH will support the advancement of future surgeons and leaders in the medical profession.

Diagnostic Imaging

Expanding from our strategic base at Macquarie, your Company formed a joint venture with Alfred Health Solutions to provide all imaging services on-site at the hospital. The new venture named Macquarie Medical Imaging ("MMI") represents a rare strategic opportunity to provide a fully aligned and integrated diagnostic, therapeutic and research platform. The new venture will offer a complete range of diagnostic radiology, interventional radiology, nuclear medicine and molecular imaging services for inpatient and outpatients.

Financials 2009

In looking at the financials for 2009, certainly our most pleasing result was that our net profit after tax increasing 19% over the prior year. While Technegas related sales revenue grew by only a modest 2%, we view this result as a favorable outcome given the global molybdenum shortage that dampened demand for all nuclear medicine products.

The financial result also included certain non-recurring revenues and costs relating to a case against Clinquest Inc. Clinquest was engaged as the Company's adviser, to obtain approval to sell Technegas in the United States from 2000 to 2007. The parties settled their arbitration in December 2009 with a favourable US$1.80m outcome for Cyclopharm.

After accounting for legal, other costs and impairment write-downs totaling AUD$1.5m, Cyclopharm recorded a net gain before tax of AUD$0.52m. Although the compensation seems disproportionate to the costs expended and time forgone, your Directors are pleased that this disappointing saga in the Company's history is over.

A review of our product profitability shows that PAS margins were consistent with the prior year. Technegas Generator margins improved as the mix of sales shifted toward more Technegas Plus generators which yield higher margins than our previous models.

This slide is to remind our shareholders that we historically have stronger second half results than the first half. 2010 will be no different.

The Company's debt facilities used for the radiopharmacy at Macquarie University Hospital of $5.1m were recently renewed. I would like to thank our bankers for their continued belief in our business. This belief is founded on our ability to generate strong cashflows and a business plan for growth through our expanding operating divisions.

Operating cash improved with the settlement of our claim against Clinquest for US$1.8m in December 2009.

BUSINESS OUTLOOK 2010

Technegas

We continue to move forward with our US expansion strategy. Our previous update outlined the requirement set forward by the FDA to conduct an additional phase III clinical trial. After much correspondence and a recent meeting with the FDA in late April 2010, we believe that we have the in-principle agreement that will allow us to move forward with clinical trial design.

I am greatly encouraged for our future in the United States as our reputation has preceded us there. This view is supported by the fact that some of the leading medical institutions in the United States have already agreed to work with us in the clinical trial.

Formal clinical trial approval from the FDA is expected to be received in the third quarter of this year with patient recruitment commencing during the fourth quarter of this year. The trial is expected to take approximately 9 to 12 months to complete before we can file a New Drug Application. At this stage, conservatively, we are targeting late 2012 for approval.

There are over 15,000 nuclear medicine departments throughout the world. Over half of those are located in the United States. The US remains the largest untapped market for Technegas and your Directors will continue to sensibly pursue entry into this country.

PET Radiopharmaceuticals

Our radiopharmaceutical production facility located at Macquarie University Hospital (MUH) is the most technologically advanced cyclotron facility in Australia. I am pleased to report that we have reached another significant milestone following the successful operational testing of our cyclotron.

2-fluoro-2deoxy-D-glucose or (FDG) is the most commonly used PET radiopharmaceutical. We have already manufactured trial runs of FDG. The equipment performed beautifully and produced excellent yields.

All radiation safety regulatory licensing requirements at Macquarie have been achieved.

The final regulatory milestone required to reach commercial status is to satisfy GMP licensing requirements regulated through the Therapeutic Goods Authority (TGA). A request to audit our facility has been filed and we anticipate that regulatory approval will follow within the next 2-3 months.

The investment made at Macquarie is already attracting additional revenue opportunities through product research and development. We have already entered into preliminary discussions with major drug companies engaged in the development of PET radiopharmaceuticals. We expect to commence R&D work early 2011.

Macquarie has been a significant investment. We are currently evaluating new opportunities outside of New South Wales and plan to provide you with an update in the coming months.

Diagnostic Imaging

We are extremely excited about the Macquarie Medical Imaging joint venture. We have secured funding for $18 million to complete the facility.

The equipment has been delivered and the fit-out will be completed next week. We expect our first patients to coincide with the opening of the hospital mid-June.

The combination of state of the art imaging equipment, our cyclotron located on the grounds of MUH, leading surgeons, clinicians and academics will ensure that MMI will become the leading centre of imaging excellence.

We are already looking at expansion opportunities with our partners as well as other diagnostic imaging opportunities throughout Australia.

In summary, 2009 was a very busy year for us and we expect that our labors will begin to bear fruit this year.

I would like to take this opportunity to thank my fellow Directors, Professor Nabil Morcos, Will Richardson and the rest of 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