Cyclopharm Limited
Prospectus

An Offer of 36,666,668 Shares
at an Offer Price of $0.30 per Share
to raise $11.0 million

Lead Manager:
Shaw Corporate Finance Pty Ltd

cyclopharm

Cyclopharm Limited
ABN 74 116 931 250

Important Notices

The Prospectus is dated 28 November 2006 and a copy was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which it relates. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Offer contained in this Prospectus is an invitation to persons wishing to subscribe for and acquire Shares in the Company.

The Company will apply to the ASX for listing and quotation of the Shares on the ASX within 7 days after the date of this Prospectus.

Important Document

The Offer and information in this Prospectus do not comprise financial advice and do not take into account the investment objective, financial situation and particular need of any investor. It is important that you read this Prospectus carefully and in its entirety before deciding to invest, or further invest, in Cyclopharm. The success of Cyclopharm, the repayment of capital invested, the payment of dividends, or the price at which the Shares will trade on the ASX are not guaranteed by any person. An investment in Cyclopharm should be considered speculative and the Shares are not a suitable investment for investors who require security of capital and income. See the discussion of risk factors in section 8 of this Prospectus and the assumptions underlying the forecasts in section 9, Financial Information. You should carefully consider these factors in light of your particular investment needs, objectives and financial circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Glossary

Certain terms and abbreviations used in this Prospectus are explained in the Glossary of Terms in section 14 of this Prospectus.

Disclaimers

No person is authorised to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Cyclopharm or the Vendor.

Assets, products and people photographed in this Prospectus are not owned or employed by the Cyclopharm Group, unless stated otherwise.

The Prospectus contains audit reviewed, pro forma, adjusted historical and forecast financial information prepared by the Directors to present potential investors with information to help them understand what the historical financial performance and financial position of Cyclopharm and its subsidiaries would have been, had all the businesses operated as a single consolidated group between 1 January 2004 and 31 December 2005, and are forecast between 1 January 2006 and 31 December 2007.

No Overseas Offering

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Rounding and Currency

Certain amounts and percentages set out in this Prospectus may not sum up due to rounding. All figures are in Australian dollars unless otherwise indicated. All foreign currencies have been converted to Australian dollars at the rates applicable at the time of conversion.

Exposure Period and Timing

The Corporations Act prohibits Cyclopharm from processing applications or transferring Shares in the 7 day period (or up to 14 days if ASIC so decides) after the date on which the Prospectus is lodged with ASIC (Exposure Period).

The Exposure Period ends on the date which is 7 days after the Prospectus lodgement date unless ASIC extends the Exposure Period by up to a further 7 days. The Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. No preference will be conferred on Applications received during the Exposure Period and processing will commence after it expires.

Cyclopharm reserves the right to extend the Offer, close the Offer Period early, or withdraw the Offer, in each case without notice.

Electronic and Paper Prospectus

This Prospectus is available during the Offer Period in a paper version and in electronic form. The electronic version can be found on the websites of Cyclopharm, www.cyclopharm.com.au and Shaw, www.egoli.com.au. Persons who access the electronic form of this Prospectus must ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. The Offer constituted by this Prospectus in its electronic form is only available to Australian residents receiving the electronic Prospectus in Australia. Any person may obtain a hard copy of this Prospectus free of charge during the Offer Period by contacting Cyclopharm on (03) 9867 2811.

Applications

Applications for Shares can only be made on the Application Form attached to this Prospectus or on a printed copy of an Application Form downloaded in its entirety from the above websites. No application will be accepted if sent in electronic form.

Privacy

The personal information that you supply to Cyclopharm will be used for the primary purpose of processing your application and establishing your investment in the Shares and corresponding with you as a Shareholder. If you do not supply Cyclopharm with all the information it needs, it may be unable to process your application and establish your investment in the Shares and correspond with you as a Shareholder.

Cyclopharm may disclose personal information you provide to it to: any third party that Cyclopharm engages to provide services such as registry, auditing, mailing or printing services; government bodies, when and to the extent required by law; and any professional advisers to Cyclopharm (including legal and accounting firms, auditors and advisers to Cyclopharm).

You may request access to your personal information held by, or on behalf of, Cyclopharm or the share registry. Access to your personal information is by contacting Cyclopharm or the share registry (see Corporate Directory).

Updated information

Information about this Offer may need to be updated by Cyclopharm. Any updated information about the Offer which is not materially adverse to investors will be made available on the website: www.cyclopharm.com.au and otherwise in accordance with the Corporations Act. Cyclopharm will provide a copy of any updated information free of charge to any person who requests a copy during the Offer Period by calling (03) 9867 2811. Where updated information about the Offer is materially adverse to investors, Cyclopharm will circulate a supplementary prospectus to persons who have accepted the Offer, in accordance with its obligations under the Corporations Act, as well as making it available on the above website.

1 Key Offer Information

This Prospectus provides the opportunity for Shareholders and investors to participate in the initial public offering of Shares of Cyclopharm. The key offer information is a summary only and is not intended to provide complete information about Cyclopharm, the Offer, or the Shares. This section should be read in conjunction with the information contained in the balance of this Prospectus.

The Offer

Offer Price	30 cents
Shares being offered under this Prospectus	36,666,668
Shares on issue after completion of the Offer	135,712,616
Market capitalisation at the Offer Price after completion of the Offer	$40.7 million

The table below includes a summary of selected Company financial information and should be read in conjunction with the more detailed discussion of financial information especially the underlying assumptions in the Financial Information in section 9, the Independent Accountant's Report in section 10 and the identified Risk Factors in section 8.

Financial Forecast – year ending 31 December	2007
Forecast earnings per Share[#]	2.4 cents
Price to earnings multiple*	10.3x
Price to earnings multiple[#]	12.5x
Enterprise value/EBITDA	12.0x
Operating cash flow per Share	2.1 cents
Dividend per Share	1.0 cent

* Based on Shares on issue at the date of this Prospectus and before issue of New Shares.
[#] Based on Shares on issue after allotment of New Shares.

Key Dates

Offer opens	5.00pm, 5 December 2006
Offer closes (Closing Date)	5.00pm, 18 December 2006
Expected dispatch of shareholding statements	28 December 2006
Trading expected to commence on ASX	9 January 2007

These dates are indicative only and may change. The Company, in conjunction with Shaw, reserves the right to close the Offer early or extend the closing date of the Offer later without prior notice and to accept late Applications either generally or in particular cases, subject to the requirements of the Corporations Act and ASX Listing Rules. Accordingly, this means that the Offer could close within a few days after the Exposure Period ends if it is fully subscribed and Applicants are therefore encouraged to apply early.

The Company has reserved the ASX listing code of **CYC**. At the date of this Prospectus, the Company is not listed on the ASX and this code has not yet been allocated to the Company.

Assembly of patient administration sets (part of the Technegas System) at Cyclopharm Group's premises Sydney, Australia.
Refer page 17 for details.

2 Chairman's Letter

28 November 2006

Dear Shareholder and/or Investor,

It is my pleasure, on behalf of the Directors, to invite our current Shareholders to increase their shareholding and for investors to become Shareholders in Cyclopharm. The Cyclopharm Group produces and supplies the medical profession with proprietary lung radiopharmaceuticals. Our strategy is to become the region's leading radiopharmaceutical company listed on the Australian Stock Exchange.

I have been involved with Cyclopharm's principal business activity, Technegas, since the late 1980's as an investor in what was then an emerging medical technology. Since that time I have seen Technegas adopted by the medical profession as a preferred standard of care in many parts of the world and know that more than 1.8 million patient doses have been administered. Today, based on the innovative and patented Technegas technology, Cyclopharm is a successful Australian based radiopharmaceutical business with substantial operations in many places across the world (excluding the US) and enjoys a prominent position in nuclear medicine.

Technegas, a proprietary lung radiopharmaceutical, has approval for its sale in 49 countries and is sold to more than 900 hospitals across 6 continents. To expand our Technegas markets, we are now pursuing approval in other jurisdictions and in particular are completing a New Drug Application for submission to the FDA of the US Department of Health and Human Services for US marketing approval of Technegas. Should the application be successful, Technegas will have access to the world's largest market where approximately 2 million lung studies are performed annually.

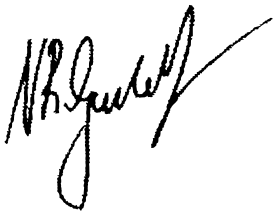
Our primary new business initiative is being driven by our Molecular Imaging division which plans to produce positron emission tomography (PET) radiopharmaceuticals. PET radiopharmaceuticals, when injected into the human body, are designed to assist physicians improve their ability to detect and determine the location, extent and stage of cancer, neurological disorders and cardiac disease. To this end, Cyclopharm Group has signed heads of agreement with a French company to receive the technology necessary for the production of PET radiopharmaceuticals. More detailed documentation must now settled between the parties.

The capital raised from the issue of New Shares pursuant to the Offer, will be applied to develop the Company's Molecular Imaging division and expand our established operations.

Many of the 747 existing Shareholders became Shareholders of Cyclopharm following a rights issue in October 2006. Shareholders with less than 7,000 Shares are encouraged to "top up" their holding so that they have a marketable parcel should Cyclopharm be admitted onto the ASX.

My fellow Directors and I propose to subscribe for Shares and I commend Shareholders and investors do the same. Please consider the Prospectus in its entirety before making any decision. I look forward to welcoming you as a Shareholder whether for the first time or as a holder of more Shares.

Yours faithfully,



Vanda Gould
Chairman

3 Investment Highlights

Cyclopharm, through its Technegas business, has established a prominent position in nuclear medicine and plans to build upon this by expanding into Molecular Imaging/PET (positron emission tomography) radiopharmaceuticals used for the diagnosis and monitoring of cancer.

Growing Requirement for Products

Cyclopharm Group provides or plans to provide products and services which are used to diagnose lung conditions and cancer and monitor the effectiveness of cancer treatment. These conditions affect an ever increasing number of people in Australia and the world.

Proprietary Medical Product with Wide Recognition

Key products and technologies have either patent protection or patent pending applications filed. 1,750 medical research reports on Technegas (183 reports) and PET (1,567 reports) have been published in medical journals throughout the world.

Established Business

Technegas business operations have been established for more than 20 years, during which period key medical technologies have been developed and refined.

Consistent Financial Performance

Cyclopharm Group has a track record of producing revenues and profits, which are primarily derived from the sale of one time use Technegas consumables. Earnings for the year ended December 2006 are forecast to be $2.1 million*.

World Market Application for Products

Technegas is sold in 49 countries throughout the world and as new regulatory approvals are achieved in other countries, new markets become a source of additional sales.

Management Team

Over 50 years of combined radiopharmaceutical and drug development experience supported by a Board with wide commercial experience.

* Subject to section 8, Risk Factors and key underlying assumptions section 9, Financial Information.

4 Terms of the Offer

Offer and Minimum Subscription

Shareholders and investors are invited to apply for a total of 36,666,668 Shares at $0.30 per Share to raise $11.0 million, comprising 23,394,949 New Shares and 13,271,719 existing Shares currently owned by the Vendor. The minimum subscription is $7.0 million. If the Offer is not subscribed to at least $7.0 million application monies will be returned in full to Applicants (any interest being retained by the Company).

On completion of the Offer, the Shares offered under this Prospectus will represent approximately 27.0% of the issued capital of Cyclopharm.

The Company, in conjunction with the Lead Manager, reserves the right to close the Offer at any time without prior notice.

Use of Funds	New Shares $	Existing Shares $	Total $
Proceeds of the Offer	7,018,484 [1]	3,981,516 [2]	11,000,000
Molecular Imaging division	4,809,924 [3]	–	4,809,924
Repayment of debt	–	3,707,676 [4]	3,707,676
FDA Costs	1,700,000 [5]	–	1,700,000
Offer Costs	508,560 [6]	273,840 [6]	782,400
	$7,018,484	$3,981,516	$11,000,000

1. The Directors consider that on completion of the Offer, the Company will have sufficient working capital to achieve the objectives outlined in this Prospectus. Should only the minimum subscription of $7.0 million be subscribed, the Company will raise $4,550,000 or $ 2,468,484 less than its share of the proceeds should the Offer be fully subscribed. In this circumstance the Company will fund the shortfall ($2,468,484) by drawing upon its cash reserves to complete the Molecular Imaging and FDA investment programs. Refer section 9, Financial Information for details.

2. The Vendor will raise $2,450,000 should only the minimum subscription of $7.0 million be subscribed and the amount of debt it repays will reduce to $2,176,160.

3. The funds to be applied to the Molecular Imaging division, as shown in the table above, are costs associated with development of three PET central pharmacies. Refer section 6, Business Description for details.

The Company presently has a Senior Debt facility of $6.0 million. Refer section 12, Additional Information – Summary of Material Contracts for details. Under the terms of the Senior Debt facility principal can be repaid and subsequently redrawn. Funds reserved for capital expenditure by the Molecular Imaging division may not be required immediately and the Directors may apply such funds to temporarily repay Senior Debt and redraw the funds as required.

4. The proceeds from the sale of the existing Shares will be applied by the Vendor to retire debt and pay part of the Offer Costs.

5. Part of the proceeds from the sale of New Shares will be applied towards the balance of costs associated with Cyclopharm Group's New Drug Application to the FDA for marketing approval of Technegas in the US. Refer section 6, Business Description for details.

6. Cyclopharm and the Vendor will bear the Offer Costs including stamp duty (otherwise payable by purchasers) in proportion with the approximate value of Shares sold by them respectively. That is in the ratio 65 : 35. Refer section 12, Additional Information - Summary of Offer Costs for details.

Offer Shares
The Directors and the Lead Manager have agreed that Applicants nominated by the Company and the Lead Manager will participate in the Offer in priority to the general public. It is expected that such nominated Applicants will include existing Shareholders (at the date of this Prospectus) and may include Directors, employees, customers of the Company and their related entities, clients of Shaw and other third parties selected by the Company and the Lead Manager. The Lead Manager will attempt to satisfy all Applications received from nominated Applicants in preference to Applications from investors under the Offer.

All Applicants must complete the Application Form which, although not signed, is binding.

Offer Shares to Existing Shareholders
To encourage existing Shareholders to hold at least a marketable parcel of Shares, there is no minimum number of Shares for which an existing Shareholder (at the date of this Prospectus) must apply.

The Offer is not extended to any existing Shareholder (at the date of this Prospectus) with a registered address outside Australia. An explanatory note will be sent to these foreign Shareholders providing details.

Existing Shareholders must complete the Application Form which, although not signed, is binding.

Offer Shares to Investors
The minimum number of Shares an investor may apply for under the Offer is 7,000 ($2,100) Shares and thereafter in multiples of 100 ($30) Shares.

Investors must complete the Application Form which, although not signed, is binding.

Members of the general public, who are not nominated Applicants, will participate (if at all) behind the Applications of existing Shareholders.

General Terms Applying to New Shares and Existing Shares
New Shares will rank equally in all respects with all other Shares presently on issue.

Right to Withdraw Offer
The Offer may be withdrawn by the Company in consultation with the Lead Manager. In such circumstances, all application monies paid by Applicants will be refunded to them in full, any interest earned on those funds being retained by the Company.

Electronic Prospectus
This Prospectus may be viewed online at www.cyclopharm.com.au or www.egoli.com.au. Applicants using the Application Form attached to the electronic version of this Prospectus must be located in Australia. Persons who receive the electronic version of this Prospectus should ensure they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Company or the Lead Manager, by mail or in person, during the Offer Period.

Acceptance of Applications and Allocation Policy
The maximum number of Shares that may be issued under this Prospectus for the Offer is 36,666,668 Shares comprising application monies of $11.0 million.

An application constitutes an offer to acquire Shares on the terms and conditions set out in this Prospectus. The Lead Manager, in conjunction with the Company, reserves the right:
- to decide to whom the Shares will be issued in its absolute discretion;
- to issue to any Applicant fewer Shares than applied for by the Applicant;
- to reject any Application, including but not limited to Applications that have been incorrectly completed or are accompanied by cheques that are dishonoured; and
- to not proceed with the Offer at any time before the issue of Shares.

The Lead Manager, in consultation with the Company, reserves the right to accept, reduce or return the Applications at their discretion. The Applicant agrees, except if there is an ASIC stop order, that the Application is an irrevocable offer, which cannot be withdrawn unless the Applicant has a right to withdraw under the Corporations Act or if the Company consents.

Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus application monies will be returned to that Applicant. No interest will be paid on refunded application monies. Any interest earned on application monies prior to their return will be, and will remain, the property of the Company.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible following the allocation. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the Shares allocated to them do so at their own risk. In the event that admission to the official list of the ASX (refer to ASX Quotation below) is denied, or for any reason the Offer does not proceed, all application monies will be refunded in full without interest.

ASX Quotation

An application will be made to the ASX not later than 7 days after the date of this Prospectus for the Company to be admitted to the official list and for official quotation of the Shares on the ASX.

If the application is not made or if the Shares are not admitted to official quotation within 3 months after the date of this Prospectus, all application monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The fact that the ASX may admit the Company to the official list is not to be taken as an indication of the merits of the Company or the Shares offered by this Prospectus. The ASX, its officers and employees take no responsibility for the content of this Prospectus. Official quotation of the Shares, if granted, will commence as soon as practicable after the issue of initial shareholding statements to successful Applicants.

Chess and Shareholding Statements

The Company will apply to participate in the Clearing House Electronic Sub-register System (CHESS), operated by the ASX Settlement and Transfer Corporation Pty Ltd (ASTC) (a wholly owned subsidiary of the ASX), in accordance with the Listing Rules and ASTC Settlement Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, the Company will provide Shareholders with a holding statement (which is similar to a bank account statement) that sets out the number of Shares allotted to that Shareholder under this Prospectus. This statement will also advise Shareholders of either their Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register.

Statements will be routinely sent to Shareholders at the end of any calendar month during which their Shareholding changes. A Shareholder may request a statement at any other time, however a charge may be incurred for additional statements.

Taxation

The Australian taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. Therefore, the Directors consider it inappropriate to give advice regarding the taxation consequences of investing in Cyclopharm. Neither the Company, the Directors, or any advisers accept any responsibility or liability for such taxation consequences. Investors should make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course that you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser without delay.

Overseas Investors

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who obtain this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer or an invitation in any place outside Australia where, or to any person to whom, it would be unlawful to make such an offer or invitation. It is the responsibility of any Applicants who are citizens or residents of jurisdictions outside of Australia to ensure compliance with all laws of any jurisdiction which are relevant to their Applications. The Shares have not been and will not be registered under the US Securities Act 1933 (as amended) and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S under the US Securities Act 1933) except in transactions exempt from the registration requirements of the US Securities Act 1933.

Investor Enquiries

Additional copies of this Prospectus or advice on how to complete the Application Form can be obtained by telephoning Cyclopharm's office in Melbourne on (03) 9867 2811.

Shareholders should, however, rely only on such information as is contained in this Prospectus as this and the Constitution will form the sole basis of any contract made with Cyclopharm.

Applying for Shares

• Application for Shares may only be made on the Application Form attached to and forming part of this Prospectus or as downloaded with the electronic version of the Prospectus from www.cyclopharm.com.au or www.egoli.com.au. Detailed instructions on how to complete the Application Form are set out on the reverse of the Application Form.

• Applicants are invited by the Company to apply for Shares at the Offer Price of $0.30 per Share. To the extent permitted by law, Applications will be treated as irrevocable.

• The application list for Shares will open on whichever is the later of 5 December 2006 or expiry of the Exposure Period, but applications can be received earlier. The list will remain open until the Closing Date. Accordingly, Applicants are encouraged to submit their applications as soon as possible.

• No brokerage or stamp duty is payable by applicants. The amount payable on application will not vary during the period of the Offer and no further amount is payable on allotment.

• An Application Form must be accompanied by payment in Australian currency of $0.30 per Share. Cheques or bank drafts must be drawn on an Australian branch of an Australian bank and must be made payable to **"Cyclopharm Limited - Share Account"** and should be crossed and marked **"not negotiable"**.

The Company will not accept an Application Form electronically. Completed Application Forms and application monies must be delivered by mail or by hand to the Lead Manager or the Company at the following addresses:

Shaw Corporate Finance Pty Limited
Cyclopharm Share Offer
Level 20, 90 Collins Street, Melbourne VIC 3000
Attention: Ms Grace Belsito
Phone: (03) 9268 1000

Cyclopharm Limited
Suite 630, 1 Queens Road, Melbourne, Victoria 3004
Phone: (03) 9867 2811

and must be received at the above addresses by 5.00 p.m. Melbourne time on the Closing Date.

Underwriting

The Offer is not underwritten.

Brokerage

No brokerage or handling fees on applications for Offer Shares will be payable by Applicants.

TechengasPlus generator (part of the Technegas System), manufactured at Cyclopharm Group's premises Sydney, Australia. Refer page 17 for details.

5 Overview Of The Company

The information set out in this section is a summary only. It should be read in conjunction with the information contained in the remainder of this Prospectus.

Background

Cyclopharm was incorporated in 2005 as an unlisted public company and presently has 747 Shareholders. The Company completed the acquisition of the Technegas System business from Vita Life in May 2006 via a share exchange. Subsequently Vita Life sold 34,399,429 Shares (representing 30.6% of Cyclopharm's issued capital) to investors and distributed 58,995,547 Shares (representing 52.5% of Cyclopharm's issued capital) in Cyclopharm to Vita Life shareholders. On completion of the Offer to the maximum extent, Vita Life as the Vendor of the 13,271,719 existing Shares will cease to hold Shares in Cyclopharm.

Cyclopharm's objective is to become a leading nuclear medicine company servicing physicians in several market segments including proprietary lung radiopharmaceuticals, molecular imaging and generic radiopharmaceuticals. Nuclear medicine is a widely accepted and effective way of gathering information on virtually every major organ system of the human body that may otherwise be unavailable or require a more expensive and risky diagnostic test.

Our Business

Cyclopharm's business units comprise:

- Technegas System: A successful innovator, manufacturer and distributor of the nuclear medicine lung ventilation imaging drug "Technegas" which is currently distributed to 49 countries.
- Molecular Imaging: Proposed owner and operator of PET central pharmacies in Australia to produce sterile, injectable, unit PET doses or molecular biomarkers which help physicians improve their ability to detect and determine the location, extent and stage of cancer, neurological disorders and cardiac disease.
- Proposed provision of PET equipment: cyclotrons, synthesisers, dispensers and associated products necessary to operate PET central pharmacies in Asia Pacific excluding North America. Cyclopharm Group has agreed to source this equipment from a French company. Refer section 12, Additional Information – Summary of Material Contracts for details.

Our Opportunity

Cyclopharm's opportunity is to capitalise on its market position within the nuclear medicine arena and use its reputation as a supplier of quality radiopharmaceuticals to:

- further expand Technegas into new geographic regions including the US;
- expand by establishing PET central pharmacies in Australia to produce and supply PET radiopharmaceuticals for the diagnosis and monitoring of cancer and other medical conditions. Refer section 6, Business Description for details; and
- expand by supplying and servicing PET central pharmacy capital equipment to the Asian market.

Nuclear medicine is experiencing substantial growth in many parts of the world. PET radiopharmaceuticals and PET imaging allows the earlier detection of cancer in patients, superior monitoring of the disease and ultimately superior effective patient care and therapy staging. The development of "best practice" image techniques using PET radiopharmaceuticals to detect, monitor and assist physicians in treating cancer is driving this growth. In the United States, the number of PET scans grew by 655% in the period 2000 - 2005. Australia, France, Germany and the UK, have also experienced significant growth of this diagnostic detection method. Refer section 6, Business Description for details.

PET radiopharamceuticals can not only detect cancer earlier than traditional methods, but provide a tool for physicians to determine whether a tumor is benign or malignant. It assists the physician to more accurately determine the course and nature of required therapies and to assess the effectiveness of prescribed treatments prescribed. Statistics show that a significant number of cancer patients die because the prescribed treatment was ineffective. Until the advent of PET, there has not been an effective way to image and track the response of the cancer cells to therapy.

The Cyclopharm Group has access to innovative technology via an arrangement with CLSA France, in relation to the production and dispensing of PET radiopharmaceutical patient doses. Cyclopharm Group anticipates this technology will enable it to supply patient doses in an efficient manner. Refer section 8, Risk Factors – Suppliers and Prices for details.

The Cyclopharm Group has developed a reputation as a manufacturer of quality products, supplying the nuclear medicine industry. Cyclopharm Group customers are the same group for both Technegas and PET radiopharmaceuticals, and the Group expects to leverage this position in terms of developing its PET radiopharmaceutical business.

Our Management Team

Cyclopharm Group has a management team with over 50 years of combined experience in the radiopharmaceutical industry. The management team is supported by an experienced Board with extensive expertise across a range of skills including the radiopharmaceutical industry, sales, marketing, manufacturing and finance. Refer section 11, Directors, Senior Management and Corporate Governance for details.

Selected Financial Information

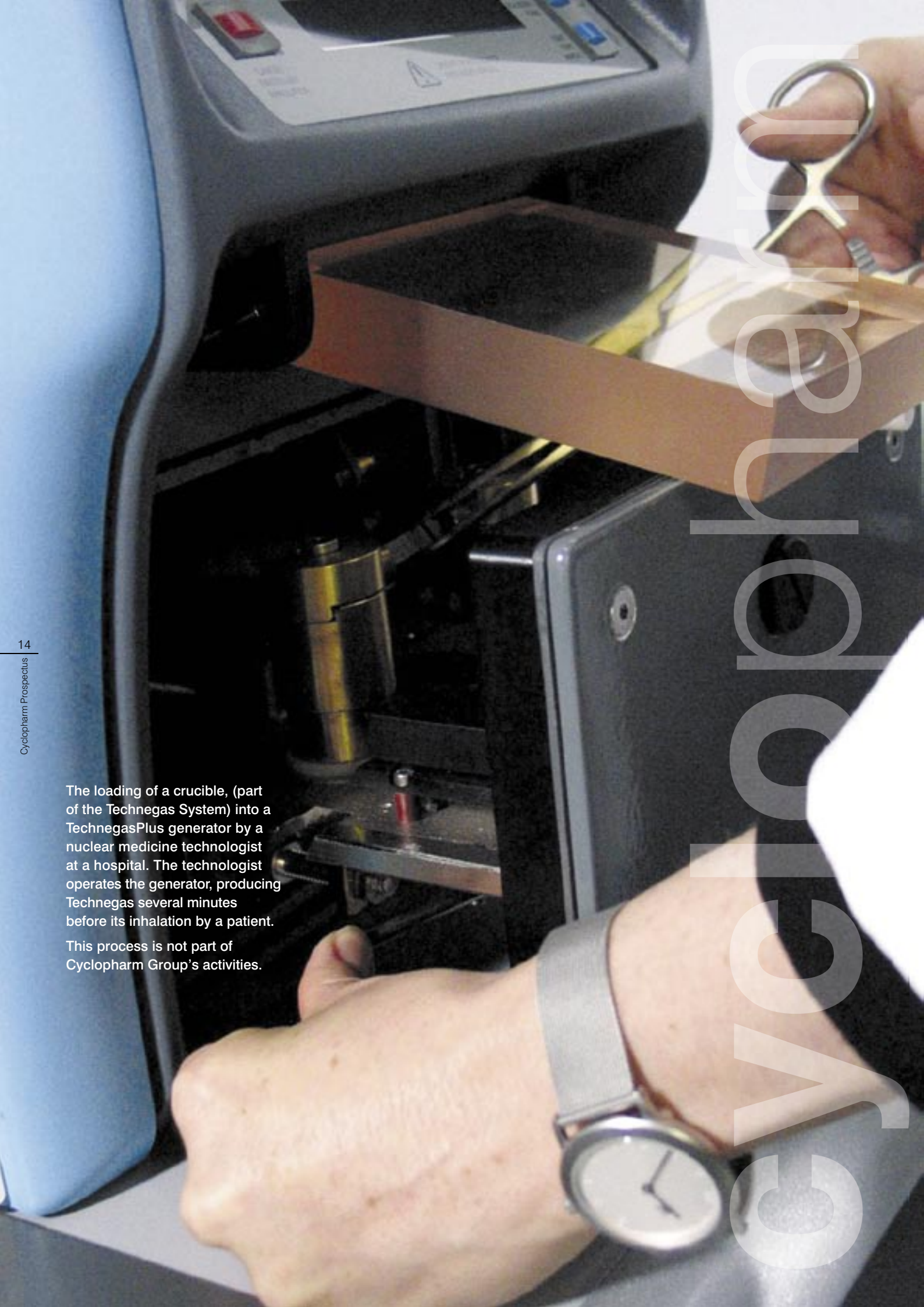
Figure 1 is a summary of Cyclopharm's adjusted historical financial information for the financial years ended 31 December 2004 and 2005 and forecast financial information for the years ending 31 December 2006 and 2007. More detailed financial information can be found in section 9, Financial Information and in section 10, Independent Accountant's Report.

Figure 1.
Summary of Cyclopharm's Consolidated Adjusted Historical ** and Forecast Financial Performance*

$'000	Adjusted Historical		Forecast	
Year Ending December	**2004**	**2005**	**2006**	**2007**
Operating Revenue	8,753	8,806	9,689	12,046
EBITDA	2,973	2,482	2,674	3,584
EBIT	2,887	2,403	2,602	3,505
NPAT	2,147	1,928	2,081	3,260
EPS (cents)	2.01	1.81	1.85	2.40

* Refer section 9, Financial Information for:
• detailed explanation of general and key assumptions and the forecast financial information of the Cyclopharm Group, the aggregated performance of its businesses and assumptions on which the forecast to 31 December 2006 and 2007 is based. Actual results are likely to vary from the forecast financial information and any variation may be materially positive or negative. The forecast financial information for the year ending 31 December 2006 assumes that the Cyclopharm Group existed and operated for the whole of the year ending 31 December 2006. As completion of the acquisition of the Cyclopharm Group of companies did not occur until 31 May 2006 the actual reported statutory results of the Company on a consolidated basis for the year ending 31 December 2006 may differ from the results set out in the forecast. Refer section 9, Financial Information, for sensitivity analysis.
• detailed explanation of historical performance.

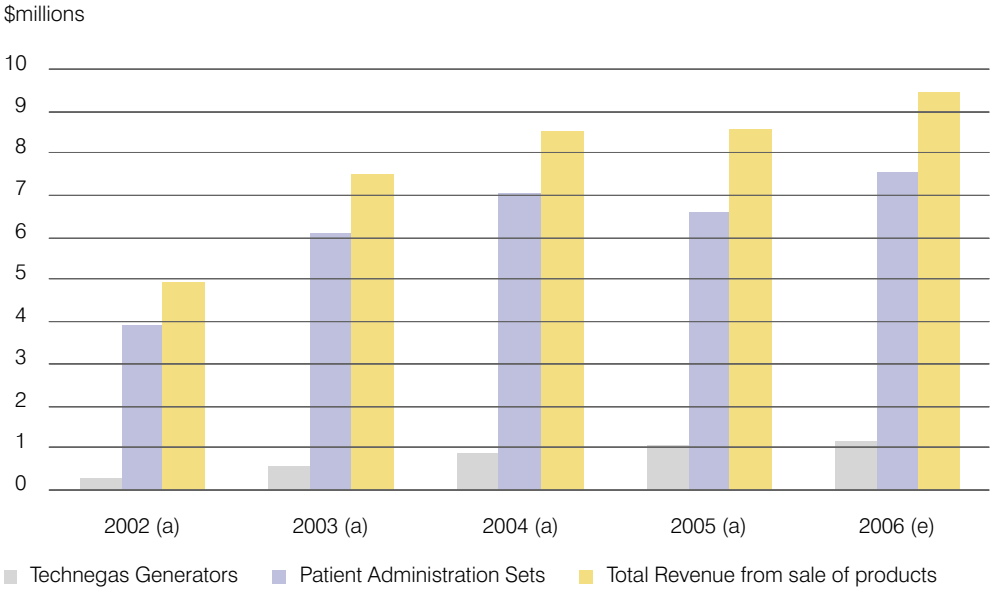
** Refer section 10, Independent Accountant's Report for:
• detailed explanation of accounting policies and adjusted historical financial information for the financial years ended 31 December 2004 and 2005 and the half year ended 30 June 2006 reflecting the trading result of the Cyclopharm Group for the month of June only. The aggregated financial performance of the Company's business includes the normalised historical financial information based on the reviewed and forecast results for the years ended 31 December 2004 and 2005.



The loading of a crucible, (part of the Technegas System) into a TechnegasPlus generator by a nuclear medicine technologist at a hospital. The technologist operates the generator, producing Technegas several minutes before its inhalation by a patient.

This process is not part of Cyclopharm Group's activities.

Figure 2.
Technegas Revenue Composition
(By products)



(a): actual
(e): estimate

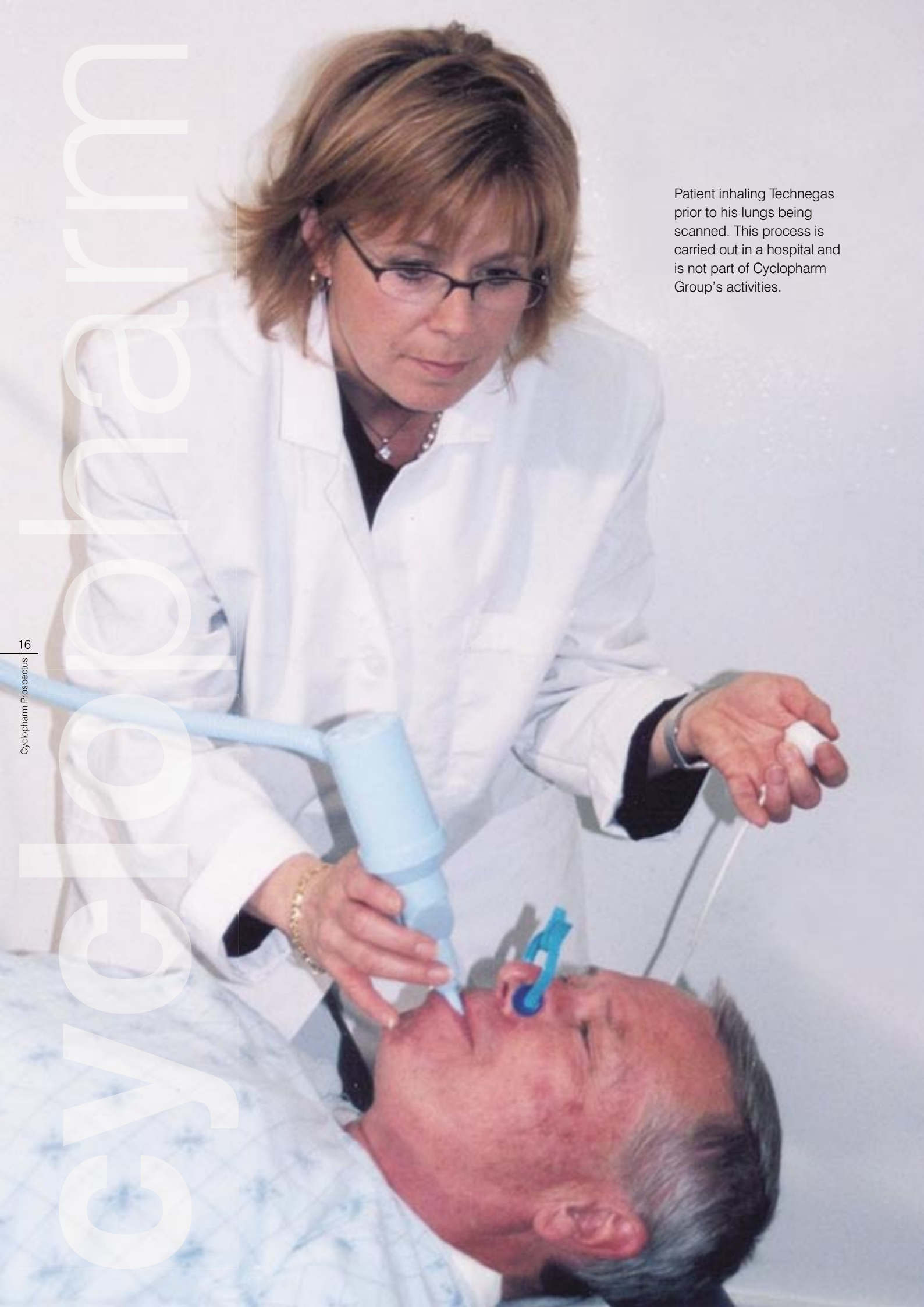
Dividends

The Company proposes to pay a dividend of 1 cent per Share for the year ended December 2007 payable in the second quarter of 2008. Based on the financial information as contained in section 10, the Independent Accountant's Report the Directors anticipate minimal franking, if any, of this proposed dividend.

Shareholder value can be created through reinvestment of company profits in enterprise growth. The quantum of dividends is also dependent on net profit after tax available after taking into consideration the cash requirements of the Company. Payment of any dividends and the level of franking is dependent upon a range of factors including the Risk Factors set out in section 8, government legislation and the tax position of the Company. The Directors can give no assurance about the future level of dividends and the franking of those dividends.

Risk Factors

An investment in Cyclopharm as described in this Prospectus is subject to general business and specific industry risks. Before investing in the Company, prospective investors should read the entire Prospectus and, in particular, should consider the assumptions underlying the forecasts, the sensitivity analysis in section 10, Independent Accountant's Report and section 8, Risk Factors that could affect the future performance of the Company.



Patient inhaling Technegas prior to his lungs being scanned. This process is carried out in a hospital and is not part of Cyclopharm Group's activities.

6 Business Description

Cyclopharm is a radiopharmaceutical company servicing the medical profession. The Company's focus is the provision of radiopharmaceutical products, Technegas (for lung imaging) and its proposed Molecular Imaging / PET radiopharmaceuticals (for imaging cancer tumors), which are sold or planned to be sold to nuclear medicine departments within hospitals.

Our History

1984-86	Technegas discovered and commercialization begins.
1988	Technegas enters European market.
1992	European distribution network for Technegas established.
1996	Technegas registered as a drug in European Union.
2001	Protocol for Phase III study for Technegas' submission to FDA in US commenced.
2003	Technegas gains regulatory approval and begins selling in Canada.
2003	Phase III patient studies for Technegas submission to FDA commence.
2005	Agreement with Australian National University to continue research into liquid Technegas.
2005	Cyclopharm incorporated.
2006	Cyclopharm Group enters into a heads of agreement with CLSA France for the Cyclopharm Group to establish PET central pharmacies in Australia.

Technegas System

Device and Drug

Technegas uses a well established technique in nuclear medicine of lung ventilation. The Technegas technology is a structured ultra-fine dispersion of radioactive labeled carbon, produced by using dried Technetium-99m in a carbon crucible, micro furnaced for a few seconds at around 2,500ºC. The resultant gaseous substance is inhaled by the patient via a breathing apparatus, which then allows multiple views and tomography imaging under a gamma or single photon emission computed tomography (SPECT) camera for the superior diagnosis of pulmonary emboli (blood clots in the lungs).

The Technegas System now consists of the Technegas generator and an associated single use consumable (patient administration set). This consumable consists of a carbon crucible, plastic patient administration set and filters. Each time a patient undergoes a Technegas procedure, a single use consumable is used. In 2005, 155,100 patient administration sets were sold. Refer to Figure 3 for details.

Figure 3.
Sales of Technegas Patient Administration Sets (units by region)

Year Ending December	2003(a)	2004(a)	2005(a)	2006(e)
Europe	95,600	107,950	98,600	109,350
Asia Pacific	46,400	45,650	41,750	36,750
North America (excl. US)	50	8,050	13,250	17,850
Latin America	–	500	300	650
Middle East	–	350	700	450
Africa	–	–	500	600
Total	142,050	162,500	155,100	165,650

(a): actual
(e): estimate

One Technegas generator can test at least 2,000 patients per annum, although the typical usage in the clinical usage of most systems installed is much lower than this. Usage per Technegas generator in Australia is about 270 patient studies per annum, and in Western Europe, about 180 to 185 patient studies annually.

TechnegasPlus
A new model generator, TechnegasPlus was approved for sale by regulatory authorities in late 2005 in the EU and in Australia in 2006. Approval for the new generator in China and Japan is presently being sought. This is the first major upgrade of the generator that was introduced in 1986 and is designed to capture new customers as well as to replace generators over 10 years old. The TechnegasPlus incorporates features that increase the functionality of the machine.

Patents
Management of the Cyclopharm Group's intellectual property is an ongoing, evolving process. Presently, there are 24 patents for various elements of Technegas spanning Australia, Europe, Japan and the US. In addition, the Cyclopharm Group has patent pending applications covering the process for making Technegas for its major markets including Australia, Europe, Japan and the US (in anticipation of being able to market there). Refer to section 12, Additional Information - Patent Summary for details.

Our Distribution and Sales Network
Cyclopharm Group has an established distribution and sales network in Australia, Europe, Asia Pacific, South America, Middle East and Africa where Technegas products are sold. The 49 countries where Technegas is installed are shown in Figure 4.

Technegas foreign product sales are made by Cyclopharm Group companies and third party distributors, each covering specific countries or continents. Distributors include Qados (United Kingdom), Medicall (Sweden and Finland), Nucliber (Spain), Jason Co Ltd (Shanghai, China) and Veccsa SA (Buenos Aires, Argentina), as well as other distributors in Europe, Asia, Africa and South America. For the Australian, Canadian, Austrian, Belgian and German markets, the Cyclopharm Group markets its products directly to hospitals and medical centres.

Technegas Usage
The actual number of Technegas patient studies, as measured by the sale of Technegas patient administration sets sold in 2005 is shown in Figure 3.

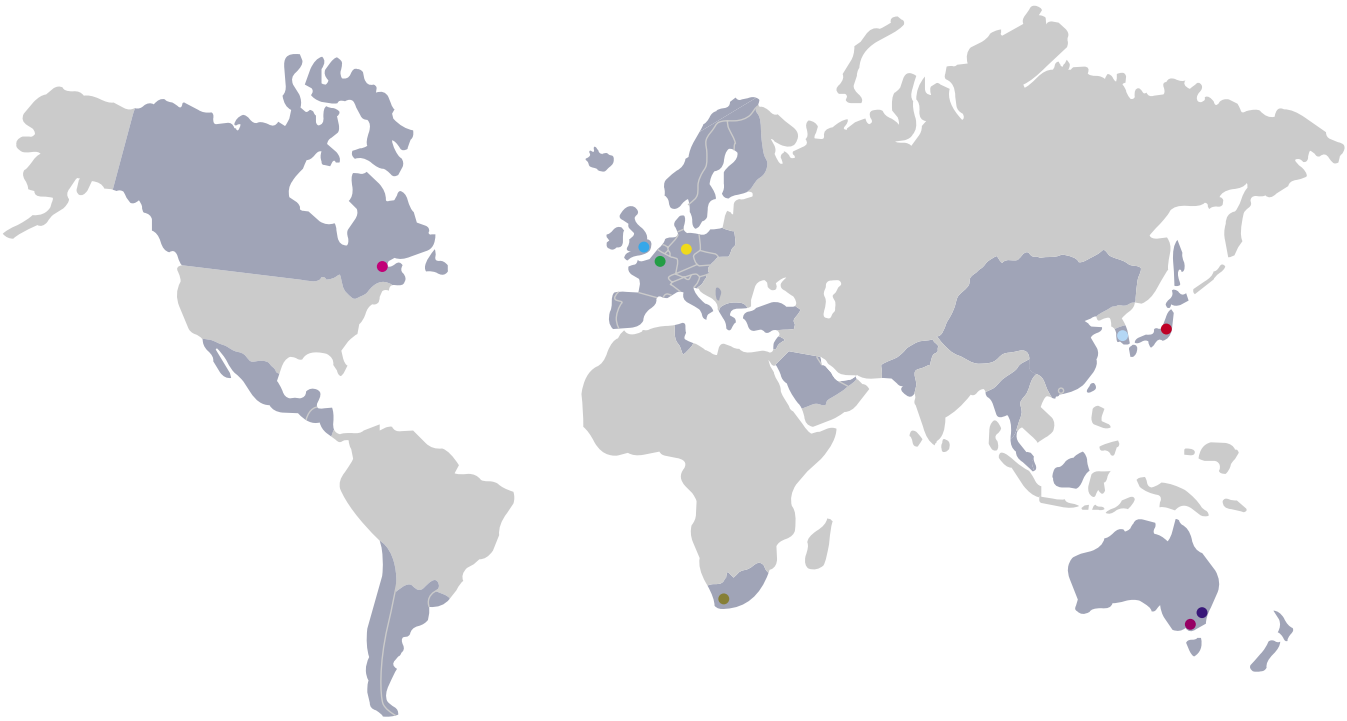
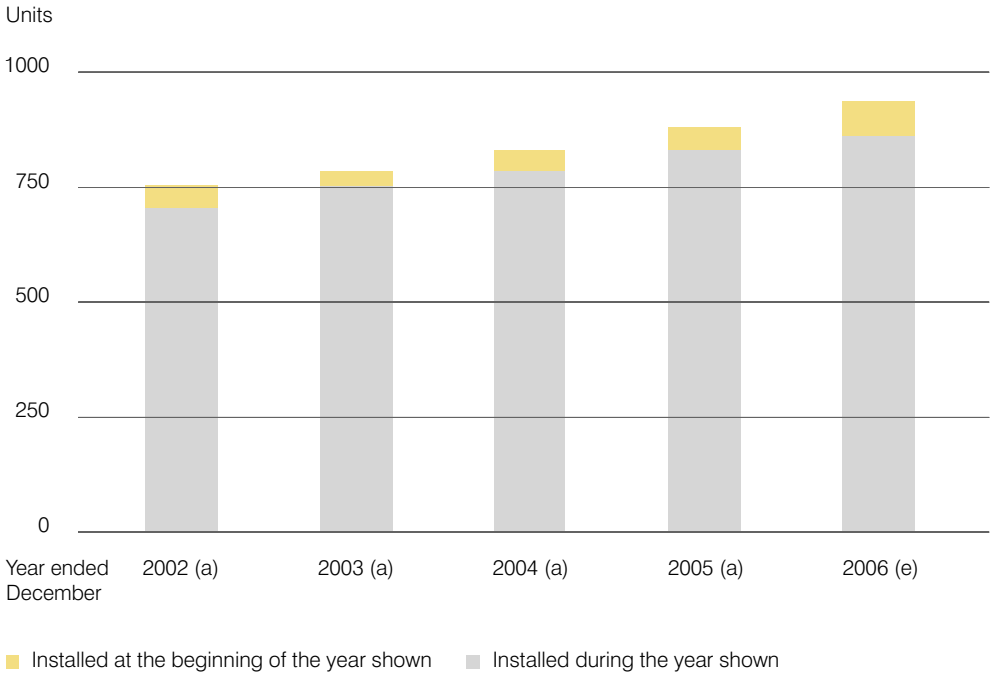


Figure 4.
Countries where the Technegas System is installed
Technegas customers include general and teaching hospitals.
For example:

- Barts Hospital – London, UK
- Hospital St Antoine Assistance Public – Paris, France
- Royal North Shore Hospital – Sydney, Australia
- Sherbrooke University of Quebec - Quebec, Canada
- Jieki University Hospital - Tokyo, Japan
- National University Hospital - Seoul, South Korea
- Peter MacCallum Cancer Institute – Melbourne, Australia
- University Hospital of Karlsruhe – Karlsruhe, Germany
- Groote Schuur Hospital – Cape Town, South Africa

Figure 5.
Installed Technegas Generators



(a): actual
(e): estimate

Figure 5 shows the growth in the number of Technegas generators installed in hospitals and medical centres worldwide.

Growing Technegas Markets

Whilst the Technegas System is established in various markets there remain substantial growth opportunities in the future. Growth can be achieved in three ways:

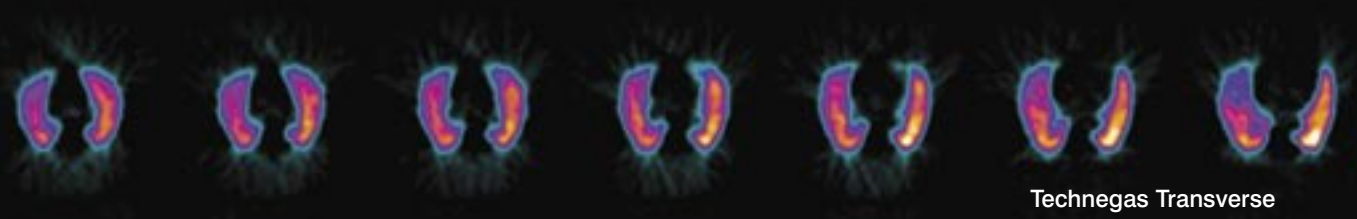
1. By increasing the number of hospitals that have Technegas generators installed. In the 5 years ending 2006 the installed base of generators increased from 703 to 938 as shown in Figure 5.

2. By pursuing and obtaining approval in countries where Technegas has not been approved for sale. Of the 253 generators installed over the past 5 years, 29% were installed in countries where approval was obtained during that 5 year period. Countries for which regulatory approval to sell Technegas has been obtained over the past 5 years are shown in Figure 6.

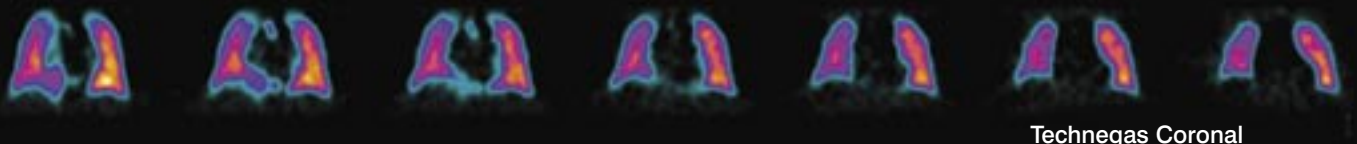
Figure 6.
New Markets for Technegas 2002 - 2006

Argentina	Kuwait	Thailand
Canada	Mexico	Tunisia
Chile	Poland	Turkey
Costa Rica	Saudi Arabia	United Arab Emirates
Croatia	Slovenia	Uruguay

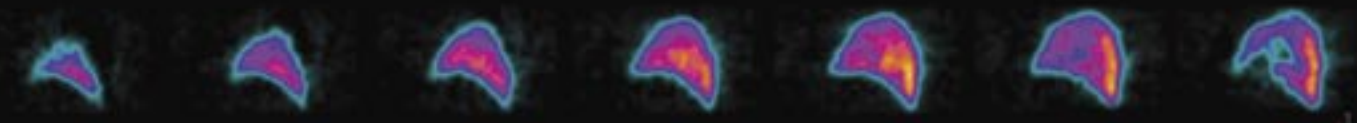
Approvals necessary to sell the Technegas System are presently being sought in other countries including the US (refer below “The US Market for Technegas and FDA Approval” for details). Subject to gaining these approvals, these countries will become new markets for Technegas in the coming years.



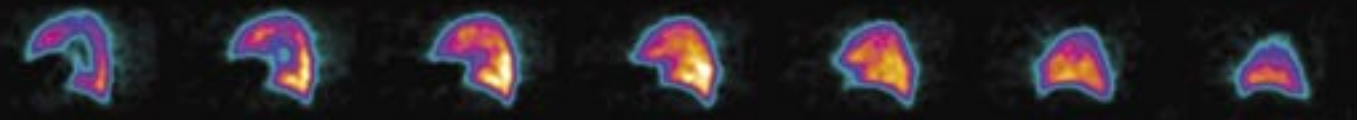
Technegas Transverse



Technegas Coronal



Technegas Sagittal



Technegas Sagittal

Images of a patient's lungs after inhalation of Technegas to be interpreted by the patient's consulting physician

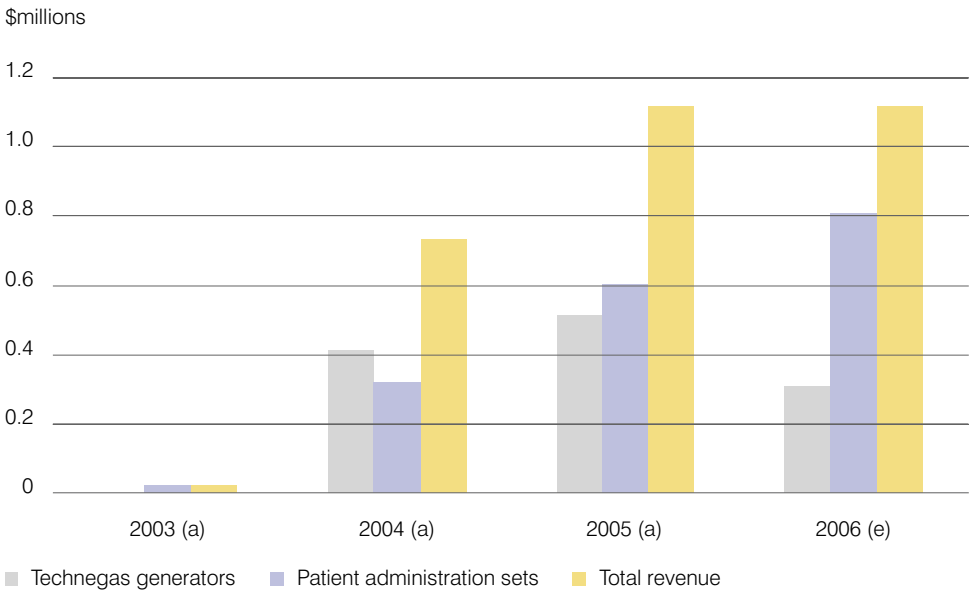
This imaging process is not part of Cyclopharm Group's activities.

The impact and importance of establishing new markets for the Cyclopharm Group is reflected in the opening of the Canadian market for Technegas where regulatory approval was obtained in January 2003. Canada has approximately 120 nuclear medicine departments suitable for the installation of the Technegas System. By December 2005, Technegas generators were installed in 36 hospitals (30% of that market) and it is estimated there will have been around 16,000 patient administration sets sold in 2006. Over 4 years, Canada has become an important market for the Cyclopharm Group and, in 2006, is forecast to contribute 10% of the Group's total revenue. Refer to Figure 7 for details.

The level of success in Technegas being adopted by the Canadian medical profession over a relatively short period of 4 years compares favourably against certain other markets including France.

The French market is currently the most important market in the world for the Cyclopharm Group when measured by the number of patient administration sets sold. In 2005, sales of patient administration sets were 46,800 units and this level is a reflection of the 69% market share Technegas enjoys in France.

Figure 7.
Canadian Technegas Revenue Composition
(By products)



(a): actual
(e): estimate

3. By developing new methods of sale in countries where Technegas is approved for sale but market penetration is low (whether measured by the number of Technegas Systems installed compared to the potential market or by the number of patient administration sets sold annually per installed generator). An example of this is Germany where the Cyclopharm Group replaced a third party distributor and established its own operations in 2005.

The potential customer base for Technegas in Germany is approximately 300 nuclear medicine departments that undertake lung studies. In comparison to the Technegas' French and Canadian markets, Germany has a reasonable market share in terms of installed generators but the average number of patient administration sets sold per generator is low. On average each installed generator in Germany performed approximately 59 patient administrations compared with approximately 368 and 341 in Canada and France respectively in 2005. With improved management there is opportunity to increase the number of patient administration sets sold per installed generator in Germany.

The US Market for Technegas and FDA Approval

Marketing approval from the FDA of the US Department of Health and Human Services for the sale of Technegas in the US has been actively sought since 2001. A chronology of events and milestones since that time is outlined below.

Jan 2001	Clinical Research Organisation, Clinquest Inc appointed to advise and prepare the New Drug Application protocol for Technegas for submission to the FDA for marketing approval of Technegas in the US.
Jan – June 2001	Information Package prepared & submitted to the FDA including a MetaWorks Study, a well known and accepted statistical procedure for combining the results of multiple Technegas studies which had been carried out in various parts of the world.
Sept 2001	Meeting with FDA to determine and seek guidance on their requirements for the New Drug Application protocol for Technegas. The FDA confirmed they would treat Technegas as a drug and at least one adequate and well-controlled clinical research Phase III study needed to be performed to support a NDA along with various other requirements.
Oct 2001 – late 2002	A draft Phase III study protocol for Technegas was developed to support its proposed structure/function claim. Several Special Protocol Assessments were filed with the FDA to elicit their feedback on the draft Phase III study protocol.
Nov 2002	The Phase III study protocol for Technegas was finalised on the basis of a 140 patient study primarily comparing Technegas to DTPA, which is used by more than 50% of US institutions who carry out ventilation studies of the lung. In addition a second whole body scan study of a minimum 8 patients to show the bio distribution of Technegas was required to be undertaken.
Late 2002	The Phase III study protocol for Technegas was submitted to 6 hospitals for their ethics committee's approval to conduct the study.
Jan 2003 -continuing	Site initiation of hospitals that agreed to participate in the Phase III study and patient enrolment for the Phase III study commenced March 2003.
Jan 2004	Phase III study suspended due to financial constraints of Vita Life (the parent company of the group at that time) and as a result of the FDA expressing concerns about the statistical analysis of study protocol. By this time 109 patients of the 140 patient studies had been enrolled.
2004 - March 2006	The Phase III study protocol via Special Protocol Assessments filed with the FDA was revised and the patient study was expanded to 170 patients to address statistical analysis concerns. Phase III study was recommenced in March 2006. The 8 patient bio distribution study requirement remained unchanged.
3 Nov 2006	117 of the 170 patient studies completed and the 8 patient bio distribution study is to commence before the end of 2006.

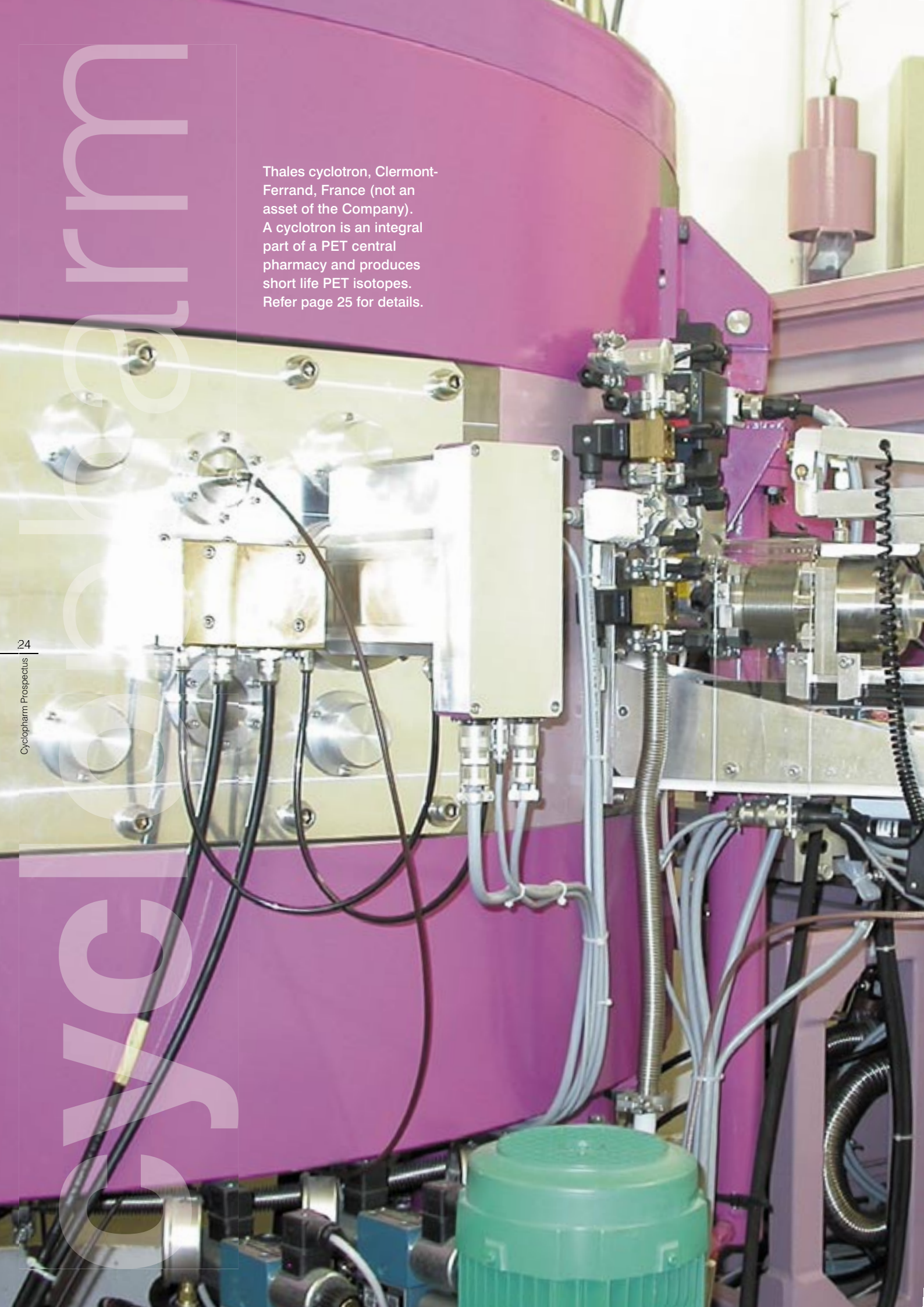
Whilst the FDA approval process has been protracted, steady progress has been made since the process commenced in 2000/01.
Six Australian hospitals and three Canadian hospitals, are or were involved in the Phase III clinical trials. Of the 9 sites, 7 sites have concentrated on a comparison between Technegas and DTPA and the other 2 on bio-distribution and resection analysis. This will provide evidence that Technegas generates effective lung ventilation images when compared to DTPA, which is the current USA standard of care.

As at 3 November 2006, 117 of 170 patient dossiers had been collected and completed and the 8 patient bio distribution study was yet to commence. The remaining 53 patient dossiers to be collected comprise:

- 45 Technegas / DTPA comparison studies including 6 resection studies; and
- 8 bio distribution studies.

These studies are all in the process of being completed.

The submission of the New Drug Application to the FDA is dependent on the collection of patient study data and patient participation rates and the protocol is subject to various risk factors. Refer to section 12, Additional Information – Summary of Material Arrangements - FDA Trial for details.



Thales cyclotron, Clermont-Ferrand, France (not an asset of the Company). A cyclotron is an integral part of a PET central pharmacy and produces short life PET isotopes. Refer page 25 for details.

Molecular Imaging

Cyclopharm's Molecular Imaging business will comprise:

Owner/Operator: PET Central Pharmacies*	**Services: Turnkey/Central Pharmacies^**	**Distribution of PET Capital Equipment#**
• Thales Cyclotron • Dispenser • Automated Synthesiser • QC laboratory Radiopharmaceuticals produced: • FDG • FDOPA	Sale and installation of PET central pharmacies to third parties outside Australia	Distributor of: • Thales Cyclotron • Dispenser • Automated Synthesiser • QC laboratory
* In planning phase	^Initial marketing of these services has commenced	#Initial marketing of these services has commenced

Owner / Operator of PET Central Pharmacies

Cyclopharm Group plans to initially establish, own and operate 3 PET central pharmacies in Australia to produce PET radiopharmaceuticals.

Through its Technegas business, Cyclopharm Group has been working closely as joint venture partners with CLSA France since 2000. CLSA France is one of two principal players in the French PET radiopharmaceutical market, with 3 operating PET central pharmacies and a further 6 in the planning stage or under construction. In developing the Australian PET market, Cyclopharm will, through a proposed licensing arrangement, draw upon the technical expertise of CLSA France.

In Australia, demand for PET radiopharmaceuticals produced by the Cyclopharm Group will largely be driven by the number of PET cameras installed and operating in Australia and the number of medical procedures approved for reimbursement by the public and private healthcare system. Refer to Figure 11 for details of potential additional medical procedures. In Australia there were 14 PET cameras installed at the end of 2005 which is equivalent to 1 camera / 1.5 million of population.

In 2000 there was 1 camera / 4.8 million of population in Australia. Whilst there has been significant improvement in the camera / per capita ratio over the past 5 years, Australia compares unfavorably to other major western countries. Refer to Figure 8 for details.

Figure 8.
PET Cameras Available to the Public

	2000		2005		
	Cameras	**No. of people**	**Cameras**	**No. of people**	**Growth**
USA	1	1.88 million	1	0.17 million	10.9x
Germany	1	3.76 million	1	0.82 million	4.6x
France	1	14.83 million	1	1.06 million	13.9x
Australia	1	4.78 million	1	1.44 million	3.3x
UK	1	9.81 million	1	4.03 million	2.4x

As the number of installed PET cameras grows in Australia, so should the requirement for doses of PET radiopharmaceuticals for administration to patients. This coupled with increases in the number of medical procedures approved for reimbursement should (if overseas experiences are repeated) require new PET central pharmacies to be established to supply PET radiopharmaceuticals (There is no assurance that the number of doses or procedures reimbursed will increase or stay the same). It is this opportunity that Cyclopharm Group proposes to exploit as there are only 2 commercially operated PET central pharmacies in Australia, one in Melbourne and the other in Brisbane. In addition there are 5 PET central pharmacies installed in and operated by hospitals which produce PET radiopharmaceuticals for their own use and research purposes.

The 7 PET central pharmacies produce varying amounts of PET radiopharmaceuticals. One PET camera can screen up to 30 patients per day and therefore could require up to 30 PET doses per day when operating at full capacity. However, most operating PET cameras screen 5 to 15 patients per day.

Subject to the amount raised under this Prospectus, refer section 4, Terms of the Offer, Cyclopharm's plan is to initially establish 3 PET central pharmacies on the east coast of Australia opening 2008 to meet the expected increase in demand for PET radiopharmaceuticals.

Services: Turnkey Central Pharmacies

Cyclopharm Group proposes to offer a "turnkey" solution to parties who wish to establish PET central pharmacies in Asia. This will be made possible via a licence agreement once formalised with CLSA France. It will be Cyclopharm Group's responsibility, under the licence, once finalised, to market, sell and install the Thales cyclotron, synthesiser, dispenser and automated PET radiopharmaceutical manufacturing process (collectively these elements make up a PET central pharmacy) in Asia.

CLSA France, through collaboration with Thales, has invested in developing a new generation industrial cyclotron, synthesiser, dispenser and automated PET radiopharmaceutical manufacturing process. Importantly the automated process eliminates the handling of finished PET patient doses prior to the administration to patients. Thus, patient doses are not handled from the time the Thales cyclotron begins to produce PET radiopharmaceuticals to the time doses are delivered to the customer/hospital.

The turnkey solution to be provided to Cyclopharm Group's customers will include design, project management, the provision and installation of all capital equipment, training and ongoing maintenance.

Distribution of Capital Equipment

Cyclopharm Group plans to distribute/sell the components, in whole or in part, that make up a PET central pharmacy to parties who wish to establish or upgrade existing PET central pharmacies in Asia. The elements sold by the Cyclopharm Group will include the Thales cyclotron, synthesiser, dispenser and the automated PET radiopharmaceutical manufacturing process in Asia.

CLSA France PET production tools, Clermont-Ferrand, France (not an asset of the Company). The production tools, which are connected to a cyclotron, join isotopes and "carrier" molecules to create PET radiopharmaceuticals.

The finished PET radio-pharmaceutical is then dispensed by the production tools into patient specific doses (vials) for shipping to hospitals.

Patient specific PET radio-pharmaceuticals doses are shipped on a daily basis to hospitals where they are injected into patients prior to PET scanning.

The injection process is not part of Cyclopharm Group activities.

7 Nuclear Medicine / Radiopharmaceutical Industry Overview

Nuclear medicine is a medical specialty that primarily relies on non-invasive imaging procedures to evaluate and assess the disease state of organs and tissues. It relies on highly specific biologically active molecules that, when injected, target and differentiate between healthy and diseased tissues and organs. Hence the name "Molecular Imaging".

These properties and the resulting differentiating capability allow the nuclear medicine practitioner to determine the disease state of the patient, and to determine the efficacy of applied therapy regimes. This further allows termination or modification of therapeutic processes that may not be working, thus saving patient lives early on and potentially wasted medical costs. It is cost effective and is a well accepted and proven practice. Examples of nuclear medicine applications in medical specialities include:

Medical Specialty: Nuclear Medicine Application
Pulmonary*: Diagnoses of pulmonary embolism and other lung diseases
Oncology#: Tumour localisation, metastases, treatment efficacy
Neurology#: Diagnoses of stroke, tumour, Alzheimer's disease
Cardiac#: Diagnoses of coronary artery disease and cardiac muscle viability
Renal: Evaluation of kidney function structure, tumours
Orthopaedic: Evaluation of stress injuries, arthritis, joint disease, cancer

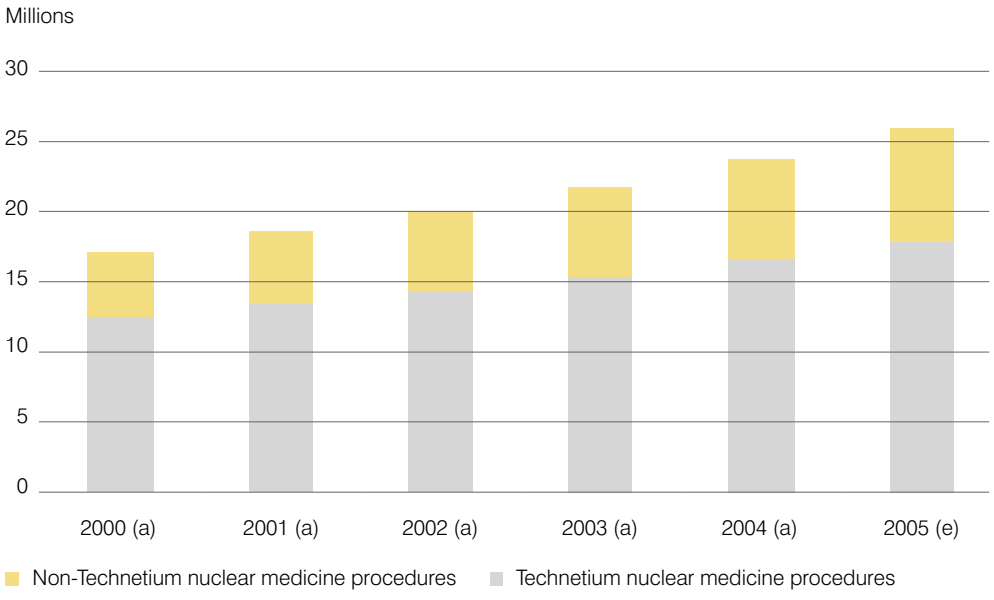
*Technegas is a radiopharmaceutical used in nuclear medicine for pulmonary procedures.
PET radiopharmaceuticals are primarily used in nuclear medicine for oncology procedures, neurology and cardiac assessments

Procedure Volume Trends
The Company's most recent data is from 2005. In the USA in 2005, an estimated 26.0 million nuclear medicine procedures were completed of which an estimated 69% or 17.9 million used technetium - the same radio tracer that is used in the creation of Technegas. Refer to Figure 9 for details. The number of hospitals and medical centres carrying out nuclear medicine procedures in the US in 2003 was approximately 7,000.

Of the estimated 17.9 million technetium based procedures performed in the US in 2005:
- an estimated 2.1 million were for lung studies; and
- an estimated 1.1 million were PET studies.

It is the lung and PET study market segments that are of relevance to the Cyclopharm Group.

Figure 9.
Nuclear Medicine Procedures in the US - Technetium and Non-Technetium (Number of Nuclear Procedures in millions)



(a): actual
(e): estimate

Radiopharmaceuticals

Technegas and PET radiopharmaceuticals comprise radioisotopes which are attached to "carrier" tissue-targeting molecules. These carrier molecules are biologically active or inert and seek specific biological processes ongoing within cells and tissues. In the case of Technegas the "carrier" molecule is carbon (refer section 6, Business Description - Technegas System for details) and, for the most commonly used PET radiopharmaceutical FDG (fluoro-deoxy-glucose), the "carrier" molecule is a modified form of glucose which fast growing tissues (tumours) or highly active tissues (brain) tend to concentrate and metabolise.

PET radiopharmaceuticals target specific tissues / organs, concentrate there, and the attached radioisotope emits radiation, which is then detected by either PET or PET / CT gamma (collectively PET camera). These imaging modalities then reconstruct the data and an image is produced providing details of the target tissues / organ under examination.

PET's whole-body imaging capability helps physicians improve their ability to detect and determine the location, extent and stage of cancer, neurological disorders and cardiac disease. By improving diagnosis, PET scans aid physicians in selecting better courses of treatment, as well as assessing whether treatment is effective or should be changed.

The PET radiopharmaceuticals administered to patients are dependant upon the modality for which they are being used.

The principal participants in the PET molecular imaging market are:

- Hospital/Medical centres: physicians inject the PET unit doses into patients who are then scanned using a PET camera.
- PET central pharmacy operators: produce single, sterile, injectable unit PET radiopharmaceuticals. Patient doses are sold to hospitals' nuclear medicine departments.
- Manufacturers of capital equipment: cyclotrons, synthesisers, dispensers, quality control laboratories (collectively used to make patient doses) and cameras (used to produce an image of patient organs).

The production of PET radiopharmaceuticals requires significant technical expertise to reliably produce patient specific, sterile, unit doses. FDG, as with most other PET radiopharmaceuticals, has a short half life and thus requires administration to the patient within a few hours of manufacture. Therefore it is desirable for each PET central pharmacy to be not more that 1 - 2 hours from the customer base. In the Australian context PET central pharmacies are likely to be required in each capital city (at least).

Technegas is produced by a Technegas generator in the nuclear medicine departments of hospitals and is generally administered to patients within several minutes of being produced.

Rapid Growth in PET Procedures

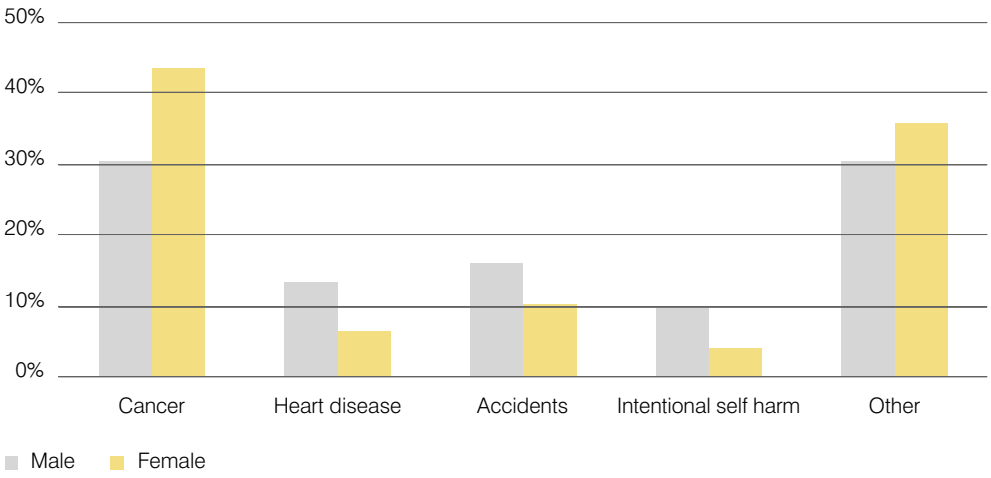
Cancer is a major health issue all around the world. Although the types of cancer that occur in first, second and third world countries vary, cancer remains one of the most important causes of death in all societies. There is an estimated 11 million people who develop cancer each year and the number is constantly growing. Furthermore, approximately 7 million of these cancer cases will be fatal.

In Australia, which is similar to other Western societies, approximately 33% of males and 25% of females develop cancer by the age of 75 years, and these figures do not include simple skin cancers which are common. The Australian statistics for 2004 / 05 show that cancer is now responsible for approximately 29% of all deaths (31% of men and 26% of women).

Although medical science has greatly improved the outlook for major health problems such as heart disease and infections, there has been little real progress in controlling most forms of cancer. As a result, the percentage of people dying from cancer has risen dramatically. In Australia during the period 1986 to 2004 the percentage of people dying from cancer rose by 36% and is still rising.

As cancer often occurs in middle aged people, the loss to the community is even more exaggerated when considering the premature years of life lost. In Australia the estimated life lost due to premature death was approximately 615,000 years for males and 339,000 years for females in 2004. Of this life lost, the largest disease to cause premature death was cancer as shown in Figure 10.

Figure 10.
Major Causes of Premature Death



Source: Australian Bureau of Statistics, 3303.0 – Causes of Death, Australia, 2004

Cancer is the single most important cause of premature mortality in Australia. It is because of the high cancer rates that nuclear medicine imaging techniques using PET radioisotopes are being adopted as an important standard of care. The US is the most developed PET market and leads Australia by several years. The amount of PET procedures in the US grew in the period 2000 – 2005 by 655% to approximately 1.13 million studies with expanded indications in oncology as well as cardiology and neurology. Such is its recognised importance in the treatment of cancer patients that medical reimbursement in the US has been broadened to include virtually all oncology applications where PET has demonstrated its effectiveness.

Approval in the US in 2004 for the use of PET in Alzheimer's disease was a major stimulus to neurological use of this technology, helping physicians to accurately diagnose the disease and effectively monitor treatment. Cardiology indications were also expanded to allow PET to be utilized earlier in the diagnostic workup.

The success of PET in the US is reflected in the number of new PET central pharmacies that have entered the market and others are on the threshold. Large radio-pharmacy companies, have substantially increased their FDG capacity, while reducing cost to end-users.

Greater access in the US to FDG should stimulate growth in PET procedure volume and promote development of more powerful PET cameras with improved resolution and throughput. The rapid adoption of PET-CT is an indication of the appeal of this modality to radiologists who regard PET as a vital tool for diagnosis and monitoring of various disease states. The increased profile of PET amongst radiologists has enhanced the entire field of nuclear medicine, helping to gain more visibility for functional imaging.

Medicare in the US, (the equivalent to Medicare in Australia) has in the period 2001-2005, substantially expanded the approved indications for PET in: non small cell lung cancer, colorectal cancer, lymphoma, melanoma, breast cancer, head and neck and oesophageal cancer, cervical cancer and other cancers. This compares to only 3 indications being approved for reimbursement in Australia at present as shown in Figure 11. In most of these cancers, PET is applied broadly from diagnosis and staging to assessment of therapy and the recurrence of disease. This allows physicians to use their judgment of how best to use PET to improve and implement efficient patient care.

Figure 11.
PET Imaging Government Funded Reimbursement (by Indication)

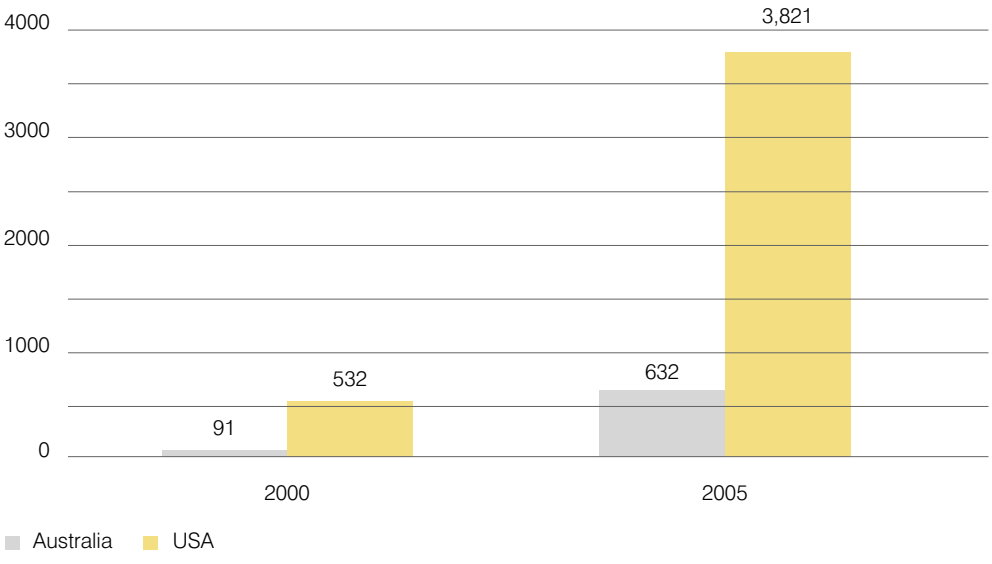
Indication	Australia	France	United States
Brain - Epilepsy	✓		
Lung - non small cell	✓	✓	✓
Solitary Pulmonary Nodule	✓	✓	✓
Colerectal		✓	✓
Head and Neck		✓	✓
Lymphoma		✓	✓
Melanoma		✓	✓
Breast		✓	✓
Cervical			✓
Esophagus			✓
Thyroid			✓

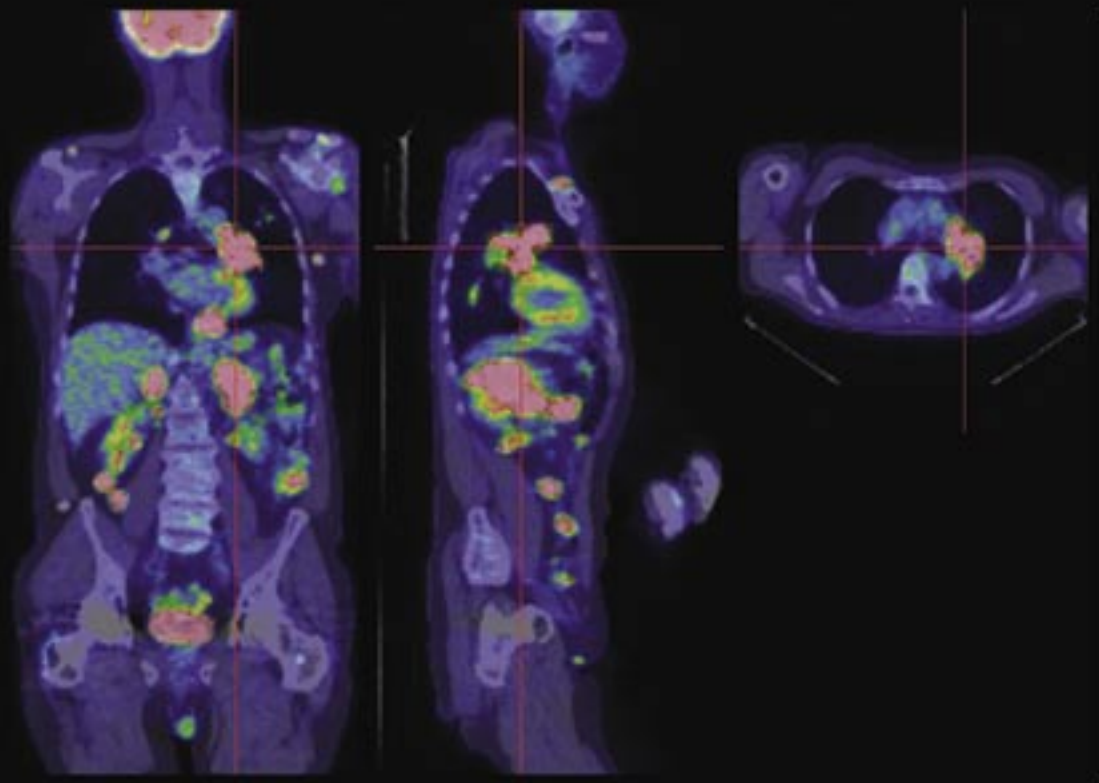
Australia lags behind the US and certain other European countries, notably France and Germany, in the adoption of PET. The momentum established in the US thus far is slowly flowing across to Australia. There were approximately 150,000 and 1,750 PET procedures performed in the US and Australia in 2000 respectively. By 2005 the number of PET studies in the US had grown to approximately 1,130,000 whilst in Australia in the year to June 2005 the number of PET studies was 12,700. The US undertook PET studies at the rate of 5 to Australia's 1 on a per capita basis in 2000 and the ratio expanded to 6.3 to 1 by 2005. Refer to Figure 12 for details.

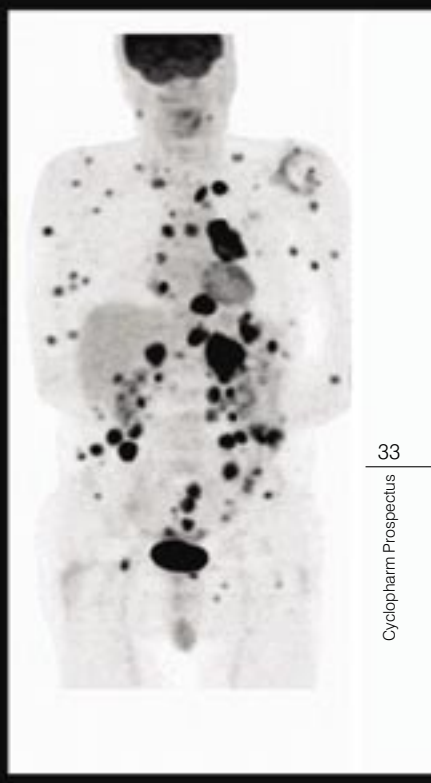
In Australia the Medicare reimbursement for PET radiopharmaceuticals based on the 3 approved indications are: brain refactory-epilepsy $918, solitary pulmonary nodule $953 and non small cell lung cancer staging $953.

Figure 12.
PET Patient Studies in US and Australia

Studies per million of population







A PET image of a patient after being injected with a PET radiopharmaceutical and to be interpreted by the patient's physician.

The imaging process is not part of Cyclopharm Group's activities.

8 Risk Factors

You should read the entire Prospectus relating to 'Risk Factors' before making any decision to invest, including risks associated with business integration, key personnel, dividends, intellectual property, operations in overseas countries, funding, product liability, investment in Shares, economic and political circumstances, legislation and other risks.

Shareholders and prospective investors in Cyclopharm should be aware that there are risks associated with subscribing for Shares in Cyclopharm. Some are of a general nature, others are specific to the specialist nature of Cyclopharm's business or the circumstances under which that business is operating.

General

There are many factors, both specific to the Cyclopharm Group and of a general nature, which may affect the future operating and financial performance of Cyclopharm and the outcome of an investment in Cyclopharm. Some of these risks may be mitigated by the use of contingency plans and safeguards. However, many are outside the control of Cyclopharm and the Directors. Neither the Directors nor Cyclopharm make any representation or give any guarantee that Cyclopharm will achieve its stated objectives or its prospects in the Prospectus or that statements otherwise made in connection with the Offer to do with those matters will be realised, in whole or in part.

This section describes many of the risks which the Directors have identified may be associated with an investment in Cyclopharm. Each of the risks set out below could, if they eventuate, have an adverse impact on Cyclopharm's operating and financial performance and the value of the Shares. It is simply not possible to identify every risk that Cyclopharm could encounter which could affect Shareholders or investors.

Before deciding to invest in Cyclopharm, Shareholders and potential investors should read the entire Prospectus and, in particular, should consider the risk factors that could affect the financial performance of Cyclopharm. Shareholders and potential investors should specifically consider the factors contained within this section in order to fully appreciate the risks associated with an investment in Cyclopharm. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to apply for Shares in Cyclopharm.

Specific Risk Factors

The business activities of the Cyclopharm Group are subject to a number of risks that could affect Cyclopharm and the industry in which it operates. These factors may substantially impact on its future performance.

The Directors believe that there a number of specific factors that should be taken into account before investors decide whether or not to apply for Shares. These include:

Competition

To date, Cyclopharm has demonstrated that it can compete effectively in the medical equipment / drug market in Australia and many other parts of the world.

The medical equipment / drug industry is very competitive and characterised by large international companies supplying much of the global market requirements. The emergence of new technologies could make the Technegas System redundant or negatively impact on the Cyclopharm Group's plans to develop its Molecular Imaging business.

Accordingly, there is a business risk in that Cyclopharm's key revenue source from the Technegas System could be severely disrupted or reduced. There are products that do compete with Technegas, in particular Computed Tomography and DTPA. These products could replace Technegas and therefore negatively impact Cyclopharm Group's revenue and profitability. The Directors note that the lengthy periods it takes to achieve regulatory approval and medical practitioners' approval and acceptance of new products, Cyclopharm Group's reputation for timely and quality service, its competitive pricing, and the breadth of its distribution facilities, mitigate these risks.

Unanticipated changes in demand patterns for the Cyclopharm Group's product range may occur, for example, due to technological advances by suppliers of competitor products.

There can be no assurance that the competitive environment in this market will not change adversely due to actions of competitors, changes in customer preferences or rationalization in the industry. In addition, the Cyclopharm Group's business plan and stated strategy is to continue to develop sales in international markets. Whilst the Cyclopharm Group has a track record in this regard, no assurance can be given that it will be successful in continuing to do so. Cyclopharm's financial performance could be adversely affected if the actions of competitors or potential competitors become more effective, or if new competitors enter the market and the Cyclopharm Group is unable to counter these actions.

Product Liability

The Cyclopharm Group is exposed to the risk of product liability claims arising from defective products. To a large extent this is managed by having in place quality control programs (which are, in the case of the Technegas System, consistent with licensing in Australia by the Therapeutic Goods Administration) and the Cyclopharm Group's staff appropriately trained. In the case of the Technegas System, it has systems to detect defective products and ensure effective product recall. The Cyclopharm Group maintains appropriate insurance cover against potential claims.

The Cyclopharm Group maintains an internal risk management process, follows quality assurance procedures in relation to manufacturing and distribution of its products and carries product liability insurance. Testing of products is carried out prior to their marketing and sale. Typically, the Cyclopharm Group also provides a 12 months' parts warranty and 3 months' to 12 months' labour warranty (which may be extended if a customer takes out an applicable maintenance agreement upon installation) in respect of new products or parts manufactured by Cyclopharm. Although no express warranties are given as to performance standards of any products, it is possible that such performance warranties could be implied at law based on the conduct of the Cyclopharm Group's staff or marketing collateral. It is possible that claims against the Cyclopharm Group could arise if products fail to perform to implied warranted standards or alternatively if products manufactured and distributed by the Cyclopharm Group contain any defects. Such claims may be excluded from cover under Cyclopharm's existing product liability insurance. Because of the environment in which the Cyclopharm Group's products are likely to be installed, any such claims could be material and, if successful, have a material adverse effect on the financial position and performance of Cyclopharm.

Reliance on Key Personnel

As the Cyclopharm Group's business grows, future success will depend on the ability to attract and retain personnel. There can be no assurance that the Cyclopharm Group will be able to retain its key personnel or to attract and retain additional personnel in the future. Inability or delays in attracting and retaining the necessary personnel could have a material adverse effect upon the Cyclopharm Group.

The Cyclopharm Group has experienced personnel who are integral to its business activities. The loss of such personnel may have a negative impact on the operating capabilities and profitability of the Cyclopharm Group.

Disruption of Business Operations

As a manufacturer, the Cyclopharm Group is exposed to a range of operational risks relating to both current and future operations. Such operational risks include equipment failures, IT system failures, external services failure (including energy supply), industrial action or disputes and natural disasters. If one or more such operational risks materialize, they may have an adverse impact on the operating and financial performance of Cyclopharm.

The Cyclopharm Group operates through a series of contractual relationships with customers, suppliers, distributors and independent contractors. To date, the Cyclopharm Group has generally provided products and services on the basis of tenders submitted to customers, followed by purchase orders incorporating the customer's standard terms and conditions of trade as a condition of the acceptance. Although the Cyclopharm Group endeavors to include standard exclusions and limitations of liability, this is not always incorporated into the documentation. In particular, a number of relationships are agreed verbally and because they have been in place for some years. So, there is a risk that if the products fail and the Cyclopharm Group is in breach, contractual damages would apply.

Reliance on Distributors

Whilst the Cyclopharm Group maintains a spread of customers, the loss of a major distributor could have a significant, adverse impact on Cyclopharm's projected earnings. Whilst the Cyclopharm Group has distribution arrangements, some may be terminated by the distributor with up to six months' notice prior to the expiration of the current terms (which vary). Others are not in writing and depend on the ongoing goodwill of the parties. The Directors are concerned to ensure that some relationships are formalised but due to the long association with other distributors there is little or no commercial benefit in formalising distribution agreements.

All contracts, including those entered into by the Cyclopharm Group, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations or that these contractual relationships may be terminated.

Insurance

Insurance of risks associated with industrial manufacturing companies is sometimes unavailable and may attract large premiums. Accordingly, no assurance can be given that the Cyclopharm Group will be able to obtain such insurance coverage at reasonable rates or at all, or that any coverage it arranges will be adequate and able to cover any such claims. In addition, the Cyclopharm Group's product liability insurance contains standard exclusions from cover in respect of any warranties given by the Cyclopharm Group, for defects in the design or manufacture of the products themselves, where liability is assumed under any contract entered into by the Cyclopharm Group or for work done outside Australia. If the Cyclopharm Group incurs uninsured losses or liabilities, this could have a material adverse effect on the financial performance and position of Cyclopharm.

Reputation

The performance of the Cyclopharm Group's products is critical to its reputation and to its ability to achieve market acceptance of these products. Any product failure could have a material adverse effect on the Cyclopharm Group's reputation as a supplier of these products.

Growth Management

The development of the Cyclopharm Group may place a significant strain on its managerial, operational and financial resources. To manage its potential growth, the Cyclopharm Group must successfully implement management, operational and financial systems. There can be no assurance that the Cyclopharm Group will be able to manage effectively the implementation of such systems. Inability to manage growth could have a material adverse effect on the Cyclopharm Group. There is no assurance that the recent growth of the Cyclopharm Group can be maintained or is indicative of future profitability.

Acquisitions

Cyclopharm may assess strategic acquisitions as one of its growth strategies. There can be no assurance that Cyclopharm will be able to successfully identify, acquire or integrate such businesses.

The consideration payable in respect of any such acquisitions may consist wholly or partly of new Shares issued to the vendors, in which case the shareholding of existing Shareholders will be diluted. Further, Cyclopharm may seek to raise additional capital, in order to fund such acquisitions, or for other purposes, by the issue of new Shares. This may also have the effect of diluting the shareholding of Shareholders.

Capital Expenditure

Cyclopharm's budgeting is based on certain assumptions in relation to the level of capital expenditure required to maintain its operations. If the level of capital expenditure required is higher than expected, or if capital expenditure must be undertaken earlier than anticipated, or if there is significant operational failure requiring capital expenditure, the financial performance of Cyclopharm may be adversely affected.

Funding

While Cyclopharm believes it will have sufficient funds to meet all of its current growth and capital requirements, even if the Offer raised $11.0 million, Cyclopharm may seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources. It is difficult to predict the level of funding required with accuracy. Any additional equity financing may be dilutive to Shareholders and investors, and debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that Cyclopharm will be able to raise such financing on favourable terms or at all.

Currency and Exchange Rate Fluctuations

The financial contribution to the Cyclopharm Group of the Technegas System will depend on the movement in exchange rates between the Australian dollar and a number of foreign currencies, particularly the Euro.

The exchange rate between various currencies may fluctuate substantially and the result of these fluctuations may have a material adverse impact on Cyclopharm's operating results and financial position. In the long term, Cyclopharm's ability to compete against imported products may be adversely affected by an expectation of a sustained period of a high Australian dollar that would reduce the Cyclopharm Group's price competitiveness.

The majority of the Cyclopharm Group's expenses are currently payable in Australian dollars. The Cyclopharm Group also supplies its product to overseas markets and hence is exposed to movements in the A$ exchange rate. The Cyclopharm Group does not enter into forward exchange contracts to hedge its anticipated purchase and sale commitments denominated in foreign currencies. Therefore, Cyclopharm is exposed to exchange rate fluctuations.

Overseas investors may be affected by instability in their currencies and their financial markets, which may affect the value of their investment in Australian equities, including in Cyclopharm.

Litigation

So far as the Directors are aware, after reasonable enquiry, there are no claims or legal or arbitration proceedings which are likely to have a significant effect on the business, financial position or financial condition of the Cyclopharm Group beyond the provisions currently included in the consolidated financial statements.

Various members of the Cyclopharm group of companies are subject to actual and potential claims and legal or arbitration proceedings. The potential magnitude has been assessed as have the prospects of defending the claim, along with the prospects of recouping all or part of the claim from the claimant or third parties, including insurers. Where appropriate, provisions against these claims, etc. have been raised in the consolidated financial statements.

The Directors believe, however, that it is appropriate to set out specific reference in this Prospectus to the following matters:

- Cyclomedica is currently suing a former distributor in Germany for non payment of amounts due to it of approximately Euro 198,784 ($339,802 approximately). The matter is set down for hearing on 9 February 2007.
- In 2006 Mr Gould sought and was granted leave to appeal to the High Court of Australia against the decision of the Companies Auditors and Liquidators Disciplinary Board to suspend him from practising as a Liquidator for three months in 2004. The appeal is expected to be heard in December 2006 or early 2007.
- In 2002, MDS Nordion SA (MDS) sued Vita Medical Limited (VML) (not part of the Cyclopharm Group) and other parties in two separate legal actions in Australia and France. The proceedings sought damages for alleged wrongful termination of a distribution agreement in 2000 between the parties in the sum of approximately Euro 14.6 million (A$24.9m).

The French proceedings also name a current director of Cyclopharm, Dr Salin, as a defendant. MDS claims amongst other things that Dr Salin breached his duties to Nordion France, while an officer of that company. Dr Salin has denied the allegations. The Australian proceedings also name Mr Townsing (a director of Cyclopharm), as a defendant. MDS claims that Mr Townsing, while an officer of VML, induced MDS employees to breach their employment contracts. Mr Townsing has denied the allegations. The French proceedings were heard in May 2006 and judgment is expected to be delivered in December 2006 or early 2007. The Australian proceedings have not been set down for trial. VML and Cyclopharm have certain common directors and Vita Medical Australia has purchased the business of VML. If damages were awarded against VML, which the Directors do not concede or accept as likely, the security charges and guarantees Barleigh Wells Ltd (a lender to Vita Life) has over VML would operate and Barleigh Wells Ltd would have priority over any award in favour of MDS. The Directors believe MDS has been made aware that there were, and are, security charges and guarantees operating which have priority over any claim MDS may have.

• Mr Townsing is an executive director of the venture capital company, Normandy Finance & Investments Asia Ltd. Refer section 12, Additional Information - Directors Interests and Remuneration. In 2001 a Normandy group company made a private equity investment into a group of companies, with business in New Zealand. In his capacity as a nominee of a Normandy group company (unrelated to the Cyclopharm Group) Mr Townsing became a director of the Australian "holding" company and a director of a Singaporean domiciled subsidiary private company. Whilst no proceeds have been brought at the Australian holding company level, in civil proceedings Mr Townsing's Singaporean fellow directors moved for the Singaporean subsidiary company to sue Mr Townsing and gained judgment against him for breach of his duties to that company and it was awarded damages. Mr Townsing has appealed the decision and the appeal was heard on 15 September 2006. Judgment was reserved and is expected to be handed down by the end of 2006 or early in 2007.

The Directors considered each piece of litigation in respect of which one of their number was or is involved. They reviewed documents and materials prepared on each matter and interviewed the relevant director. In each case, the Directors (other than the director in question, who absented himself) considered that the case, irrespective of the possibility of a judgement being handed down with an adverse ruling, did not present an impediment to the relevant director continuing to act in that capacity and that that director remained an appropriate person to fulfil that role for Cyclopharm and the Cyclopharm Group.

The Directors or Board are not aware of any other litigation.

Occupational Health and Safety

In common with many industrial companies, the Cyclopharm Group faces the risk of work place injuries which may result in workers' compensation claims, related common law claims and potential occupational health and safety prosecutions. Further, the production processes used in conducting the Cyclopharm Group's business can be dangerous. The Cyclopharm Group has in place a range of practices and policies which seek to provide a safe and healthy working environment for its employees, customers and visitors.

While the Cyclopharm Group believes that appropriate safeguards have been put in place by the Cyclopharm Group, such production processes could result in serious injury to employees or other persons and give rise to liability under occupational health and safety laws and regulations and also under the general law.

Suppliers and Prices

The Cyclopharm Group depends upon a range of suppliers. If one or more is unable to supply commodities on their usual terms, the ability to substitute alternative sources in order to service their customers may be inhibited.

Components are a significant input into the Cyclopharm Group's manufacturing process. Any changes to the terms of trade for components, particularly in relation to pricing or maximum/ minimum quotas or disruption to supply, may adversely affect Cyclopharm's operating and financial performance.

There can be no guarantee given that the Cyclopharm Group can pass on price increases to customers or maintain its margins or that customer demand will not be adversely affected by product price rises.

Whilst this Prospectus makes many references to the Company's Molecular Imaging division, which is to produce PET radiopharmaceuticals, the Board acknowledges that current plans rely on a licensing arrangement pursuant to heads of agreement, rather than a detailed contract purporting to settle all issues between the parties. In the unlikely event that a contract with necessary detail could not be entered into, the Board has formed the view that an alternative source could be found or relevant technology could be substituted such that the division would continue to be formed. Delays may, however, occur and some re-pricing would be expected (whether higher or lower). The Board has instructed the Managing Director to nevertheless expedite obtaining the agreement of CLSA France to formalisation and full documentation of the licensing arrangements.

General Risk Factors

Economic Conditions

The performance of the Cyclopharm Group may be influenced by the general condition of the Australian and overseas economies in which the Cyclopharm Group operates. Movements in the currencies in which Cyclopharm has to deal, changes in interest rates, employment rates, inflation, consumer spending and government policy may affect sales and operating profits. Changes in economic conditions may result in medical institutions and hospitals changing spending patterns or their level of consumption of the Technegas System, or even delaying the decision to introduce it, which may have an adverse impact upon Cyclopharm's operating and financial performance.

Doing Business Internationally

As the Cyclopharm Group is and will be operating in numerous countries, the Cyclopharm Group will be exposed to risks such as unexpected changes in regulatory requirements (including taxation), longer payment cycles, problems in collecting debts, fluctuation in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds and potentially adverse tax consequences, all of which could adversely impact on Cyclopharm.

The Cyclopharm Group currently requires, and in the future may require further, licences to operate in foreign countries which may be difficult to obtain and retain depending on government policies and political circumstances.

Dividends

The quantum of any dividends is dependent on net profit after tax available after taking into consideration the cash requirements of Cyclopharm. Payment of any dividends and the level of franking of dividends will be dependent upon a range of factors, including the risk factors set out in this section of this Prospectus, government legislation and the tax position of Cyclopharm. While Directors forecast a dividend will be paid to Shareholders for the year ending 31 December 2007 Cyclopharm can not give any assurances about the existence, or future level, of dividends or the franking of those dividends.

Hostilities, Act of Terrorism and Politics

War or problematic trade or international relations may affect the ability of the Cyclopharm Group to export product to or import product from certain territories. Acts of terrorism or an outbreak of international hostilities may also adversely affect consumer confidence and lead to a downturn in customer spending. However, given the nature of business and spending on medical services, these activities may have negative, nil or beneficial impact on Cyclopharm's operating and financial performance.

Share Market

There are a number of risks associated with any stock market investment. There can be no guarantee that any market in the Shares will develop or continue. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares at a price that is attractive to them or at all.

The price at which the Shares will trade, if at all, may be affected by the financial performance of Cyclopharm and by numerous external factors over which the Directors and Cyclopharm have no control. These factors include availability of buyers, movement in local and international stock exchanges, local interest rates and exchange rates, domestic and international economic and political conditions, government taxation, market supply and demand and other legal, regulatory or policy changes. No assurance can be given that Cyclopharm's performance will not be adversely impacted by such market fluctuations or factors or the illiquidity of the Shares.

Regulatory

Changes in relevant tax legislation (including GST), legal and administrative regimes and government policies may adversely affect the financial performance of Cyclopharm. Any changes to the current rate of company income tax will impact on Shareholders' and investors' returns both in terms of profits that Cyclopharm may be able to distribute as dividends and the level of franking credits available to frank any future dividends. Any change to the current rate of income tax applying to individuals and trusts will similarly impact on Shareholder and investors' returns.

Future expansion of Cyclopharm's range of products and services may be governed by regulatory controls in each target market and it is not possible for Cyclopharm to guarantee that approvals in all target markets will be obtained and maintained in the future.

The Technegas System is required to be registered with the relevant regulatory bodies in each country. If for any reason such product registrations are withdrawn, cancelled (or otherwise lose their registered status) or are not renewed, it would have a significant effect on the sales of products which rely on them in the relevant country or countries.

The Cyclopharm Group's manufacturing does not involve the emission of any environmentally sensitive materials and the Cyclopharm Group is not required to hold any environmental licence or consent under the Environmental Protection Act (Cth). It is possible that this could change with the development of new products and any additional regulatory requirements could impact upon the profitability of the group.

The Cyclopharm Group has obtained:
• a Certificate of Device listing on the Australian Register of Therapeutic Goods Register for the Technegas System;
• a CE0120 mark approval for the device elements of the Technegas System;
• a marketing authorization for the drug aspect of Technegas in EU; and
must retain these approvals while it continues to produce and sell the Technegas System.

Change in Accounting or Financial Reporting
Cyclopharm was incorporated on 31 October 2005 and therefore must comply with the Australian equivalents to International Financial Reporting Standards (A-IFRS) as issued by the Australian Accounting Standards Board. These reporting standards applied from 1 January 2005. Any future changes to A-IFRS may impact upon the financial results of Cyclopharm.

Reliance on Key Items of Equipment
The Cyclopharm Group relies on certain items of equipment to undertake the manufacturing process. The level of equipment productivity, availability and obsolescence, the effectiveness of plant maintenance and new equipment performance, together with unexpected mechanical failure or breakdown may adversely affect Cyclopharm's operating and financial performance.

Information Technology
Information technology is important to the success of the Cyclopharm Group's business as is the information technology and automation of its suppliers and distributors. For itself, the Cyclopharm Group guards against systems failures by having back-up facilities (including business recovery plans for restoring information) employing skilled staff to monitor and maintain those systems, and maintaining comprehensive computer breakdown insurance. In contracting with its suppliers and distributors, the Cyclopharm Group seeks to ensure that the same applies to those with whom it has dealings.

The Cyclopharm Group has invested in management information and telecommunications systems designed to facilitate the Cyclopharm Group's operations. While the Cyclopharm Group has information technology disaster recovery plans in place, system failures may adversely impact on the Cyclopharm Group's performance.

Intellectual Property Rights
The Cyclopharm Group's success may be affected by its ability to maintain patent protection for products and processes, to preserve its trade secrets and to operate without infringing the proprietary rights of third parties.

• Patents
Unless challenged the validity of a patent or trademark may be assumed. Any patent or trademark may be challenged on a number of grounds but the onus is on the party seeking revocation to establish those grounds.

All patents and trademarks require renewal at regular dates and if not renewed will expire. It is the Cyclopharm Group's practice to renew its patents and trademarks as required. The Directors note that whilst some patents have expired or have not been renewed, or remain to be transferred or licensed to Cyclopharm Group companies, there remains sufficient protection in these countries through other patent arrangements in place or being put in place.

The validity and breadth of claims covered in patents involve complex legal and factual questions and therefore may be highly uncertain. No assurance can be given that the pending applications will result in patents being issued, that such patents or the current patents will provide a competitive advantage or that competitors of the Cyclopharm Group will not design around any patents issued. Further, any information contained in the patent applications will become part of the public domain, so that it will not be protected as confidential information. As legal regulations and standards relating to the validity and scope of patents evolve, the degree of future protection of the Cyclopharm Group's proprietary rights is uncertain. However, those regulations and standards in the field of nuclear medicine (in which the Cyclopharm Group's technology resides) are relatively well established and non-controversial.

• Confidentiality and Non-disclosure

There can be no assurance that the Cyclopharm Group's confidentiality or non-disclosure agreements and other safeguards will protect its proprietary information and know how or provide adequate remedies for the Cyclopharm Group in the event of unauthorized use or disclosure of such information, or that others will not be able to independently develop such information.

• Litigation

Litigation, which could result in substantial cost to, and diversion of effort by, the Cyclopharm Group, may be necessary to enforce patents, to protect trade secrets or know-how, to defend against claimed infringement of the rights of others or to determine the ownership, scope or validity of the proprietary rights of the Cyclopharm Group and others. An adverse determination in any such litigation could subject the Cyclopharm Group to significant liabilities to third parties, require the Cyclopharm Group to seek licences from third parties or prevent the Cyclopharm Group from using its technology.

Furthermore, such disputes may require the Cyclopharm Group to develop non-infringing technology or seek to negotiate or enter into royalty or licensing agreements. Such agreements, even if necessary, may not be negotiable on terms acceptable to the Cyclopharm Group, if at all. Also, the Cyclopharm Group may be unable to develop non-infringing technology.

• Third Party Challenge

No assurance can be given that others will not challenge the ownership or validity of the Cyclopharm Group's rights in its technology, a licensor's rights in relevant technology or the underlying patents or other intellectual rights in relevant technology.

• Cost of Protection

The cost of seeking to protect the Cyclopharm Group's technology, trade secrets and proprietary information or in applying for or obtaining patents, particularly overseas, can be prohibitively expensive or not commercially practical. There is added difficulty at present in that with Cyclopharm's purchase of the Cyclopharm Group of companies in May 2006 and whilst assignment documentation for patents and trademarks has been executed by the parties involved some of the assignment documents have yet to be registered in various jurisdictions.

Loss of key customers

Cyclopharm's financial result could be adversely affected by the loss of large customers, a change in the terms of business with a large customer, or by such customers not adequately or fully complying with their respective contractual rights and obligations.

Other risks

The risk factors listed are not exhaustive. Other risks may affect the value of the Shares or the financial performance of Cyclopharm, or both. As a result, no guarantee is provided with the Shares with respect to the payment of dividends, return of capital or the market value of the Shares.

9 Financial Information

This section contains a summary of the historical financial information and the forecast financial information of the Group.

All financial information in this section should be read in conjunction with and is qualified in its entirety by the information contained elsewhere in this Prospectus, including the risk factors. Refer section 8, Risk Factors.

Unless otherwise stated, the financial information has been prepared in accordance with and on the basis of the accounting International Financial Reporting Standards.

Summary Statements of Historical and Forecast Financial Information

The table below sets out a summary of the historical financial information and forecast financial information. The Directors' forecast for the 12 months ending 31 December 2006 is based on the unaudited actual results for the six months ended 30 June 2006 together with a forecast for the following 6 months.

The Directors' forecast for the years ending 31 December 2006 and 31 December 2007 reflects an assessment based on present circumstances of the most likely courses of action. The forecast is based on a number of best-estimate assumptions relating to future events and/or actions which, at the date that the forecast was prepared, the Directors expected to take place. The assumptions are detailed below headed, Forecast Financial Information – General Assumptions and Forecast Financial Information – Key Assumptions. The events and/or actions described therein may or may not, take place. Accordingly, no guarantee is given that the forecast will be achieved.

Pitcher Partners Corporate Pty Ltd has prepared an Independent Accountant's Report, on the Directors' forecasts for the years ending 31 December 2006 and 2007. This report is set out in section 10, Independent Accountant's Report.

The adjusted historical financial information for the years ended 31 December 2004 and 31 December 2005 reflects the historical financial performance and position of the Cyclopharm Group had all the businesses presently owned by Cyclopharm operated as a single consolidated group between 1 January 2004 and 31 December 2005.

The adjusted historical financial information for the years ended 31 December 2004 and 31 December 2005 is based on the financial statements of Vita Medical Limited and its controlled entities (Vita Medical) which were audited by Gould Ralph & Company. Cyclopharm completed the acquisition of the businesses and companies that now comprise the Cyclopharm Group from Vita Medical and its associates on 31 May 2006.

The interim financial report of Cyclopharm and its controlled entities for the 6 months ending 30 June 2006 was reviewed by Gould Ralph & Company. This interim financial report of Cyclopharm and its controlled entities reflects the trading result of the Cyclopharm Group for the month of June 2006 only as completion of the acquisition of the businesses and companies that now comprise the Cyclopharm Group occurred on 31 May 2006.

A summary of Cyclopharm's adjusted historical financial information for the years ended 31 December 2004 and 31 December 2005 together with the Directors' forecasts for the years ending 31 December 2006 and 31 December 2007 are as follows:

Year Ending December	2004 $	2005 $	2006 $**	2007 $
Revenue from operating activities	8,752,818	8,806,252	9,688,523	12,045,769
Interest revenue	14,854	210,475	–	489,373
Other		109,070	114,769	119,930
Total Revenue	8,767,672	9,125,797	9,803,292	12,655,072
Raw materials and consumables used	(1,759,266)	(2,027,960)	(3,262,652)	(3,590,924)
Employee benefits expense	(1,716,462)	(2,016,271)	(1,925,658)	(2,610,521)
Advertising and promotion expenditure	(111,170)	(66,706)	(118,926)	(147,861)
Depreciation and amortisation expense	(86,080)	(78,878)	(72,182)	(79,400)
Finance costs	(53,874)	(53,579)	(303,864)	(438,833)
Research and development costs	(34,051)	(31,571)	(74,233)	(120,458)
Administration costs	(1,581,043)	(1,516,600)	(1,289,441)	(1,661,919)
Other expenses	(651,832)	(664,912)	(458,287)	(449,968)
Profit before income tax	**2,773,894**	**2,669,320**	**2,298,049**	**3,555,188**
Income tax expense*	(559,671)	(687,066)	(217,171)	(294,976)
Profit from continuing operations	**2,214,223**	**1,982,254**	**2,080,878**	**3,260,212**
Profit attributable to minority interests	(67,047)	(54,734)	–	–
Profit after tax#	**2,147,176**	**1,927,520**	**2,080,878**	**3,260,212**

*Income tax expense for the years ended December 2005 and 2006 are forecast to be lower than that of 2004 and 2005 as the mix of sales from European countries is expected to increase, jurisdictions which have lower marginal tax rates than Australia.

Profit after tax has been adjusted to remove the impact of the loss incurred from discontinued operations during the year ended 31 December 2005 of $345,492 as this was a one off non-recurring event.

**The financial forecast for 2006 comprises 5 months of trading by Vita Medical and 7 months trading from 1 June 2006 to 31 December 2006 of Cyclopharm.

Management Discussion of Pro-forma Historical Income Statements

Analysis of the historical financial performance has been provided only for the year ended 31 December 2005.

Cyclopharm Group achieved record sales in 2005 of $8.8 million. Profit before tax was recorded at $2.67 million, down slightly from $2.77 million in 2004. Primarily the lower profit before tax was a result of higher production costs associated with the development of the TechnegasPlus generator.

During 2005, the Cyclopharm Group undertook direct distribution of the Technegas System in Germany by establishing a subsidiary company which employed staff and new marketing initiatives commenced. During the second half of 2005, sales into our German market slowed as a result of the transition from a third party distributor to the Group's own operations.

Both the development costs for the TechnegasPlus generator and costs associated with the Group's start up in Germany continued to negatively impact on profit before tax during the first half of 2006. The full benefits of these initiatives are forecast to be recorded from the second half of 2006.

During the later part of 2005 and throughout 2006, Cyclopharm Group undertook a "replacement strategy" whereby Technegas generators operating in various markets across the world were targeted for replacement with the new TehcnegasPlus generator. Substantial discounts are being offered during the introductory period which concludes in early 2007. The Group's strategy is to collect the replaced generators, refurbish them, and place them in small use nuclear medicine centres. This initiative is marketed as the "Small User Package" and to date the response has been favourable. Cyclopharm Group plans to increase market penetration in certain existing and emerging markets as a result of this marketing initiative. Financial benefits from this program are expected to flow from late in 2006.

Forecast Financial Information – General Assumptions

The following are the general assumptions underlying the forecast financial information.

- No further Shares are issued during the period to 31 December 2007;
- The Offer is fully subscribed and the proceeds are received by the end of December 2006. This will only not occur if the Company failed to list within 3 months of the Prospectus date and had return application monies to Applicants.

Refer to Sensitivity Analysis on Minimum Subscription being Subscribed below for details;

- No change in business strategy other than that outlined in the Prospectus;
- There are no changes to the statutory, legal or regulatory environment which would have a material effect on the Company's operations or trading or its key suppliers in any of the jurisdictions in which it operates;
- No material changes in industrial, political and economic conditions in Australia and/or any of the countries where Cyclopharm intends to operate during the forecast period;
- No loss of key management personnel;
- There are no material beneficial or adverse effects arising from the actions of competitors;
- The Company is not a party to any material litigation or exposed to any environmental issues other than as disclosed in section 8, Risk Factors;
- No changes in current tax legislation in the relevant operating jurisdictions;
- Cyclopharm's accounting policies remain consistent throughout the forecast period with those in the prior year and as disclosed in section 10, Independent Accountant's Report;
- No change occurs in the current Australian accounting standards which has a material impact on the results of the Company;
- There are no material acquisitions or disposals other than those outlined in section 6, Business Description; and
- There is no change to the Company's funding and capital structure as outlined in this section 9.
- The financial forecast for 2006 comprises 5 months of trading by Vita Medical and 7 months trading from 1 June 2006 to 31 December 2006 of Cyclopharm.

Forecast Financial Information – Key Assumptions

The financial forecasts have been derived from a budget setting process for the Company's operations which incorporates the expected performance of business initiatives of the Company in terms of growth and profitability. The budget setting process considers the historical performance of the Company's operations including business development and investment initiatives adjusted for the forecast level of activity and performance expected to be achieved. The material best estimate specific assumptions made by the Directors in preparing the forecast financial information are as follows:

• Forecast revenue will increase from $9.6m in year ending 31 December 2006 to $12.0m in year ending 31 December 2007 through an increase mainly in:
– The number of TechnegasPlus generators sold and a proportional increase in the patient administration sets sold in European countries through stronger representation;
– The average patient administration sets sold per installed generator in Europe resulting from the "Small User Package" catering to customers that perform 50 patient administrations per annum;
– Additional sales from the sale of refurbished Technegas generators. This process involves replacing generators greater than 10 years old, with the new TechnegasPlus generators at a discounted selling price. The old generators are refurbished and then sold to markets with lower price points such as South America and small use nuclear medicine centres in more mature markets; and
– Higher patient administration set pricing in Europe.

• No revenue has been forecast for the sale of PET radiopharmaceuticals or the distribution of PET central pharmacy capital equipment;

• No revenue has been forecast for the sale of TechnegasPlus generators or patient administration sets into the United States;

• Forecast gross profits from the sale of Technegas System products have been determined based on historical and current profit margins. Gross profits are forecast to improve from 2006 to 2007 because of an increase in:
– TechnegasPlus generator sales as a result of improved marketing and the small user package including refurbished generators; and
– Patient administration set sales (8% year on year) and substantially increased pricing to certain key distributors

•Costs in relation to the completion of the submission to the FDA have been capitalised;

• Costs (including borrowing costs) in relation to the establishment of the 3 PET central pharmacies have been capitalised;

• No depreciation charge in relation to the proposed 3 PET central pharmacies is expensed in the forecast as the assets will not be commissioned within the period of the forecast;

• Operating expenses have been based on management's assessment, according to both past experience and anticipated requirements including operating structure, management and other agreements entered into and the Directors' expectations of future expenses for the year ending 31 December 2007;

• Salary and wages are forecast to increase in 2007 as a result of recruiting key personnel in Australia and Europe. This is consistent with the Company's stated intention to increase sales and marketing efforts in existing and new markets.

• Offer Costs associated with the issue of the New Shares will be applied against equity;

• Allowance has been made in the forecast for increased costs associated with operating Cyclopharm as a publicly listed company, including costs relating to non-executive directors, annual ASX and other compliance and regulatory costs, audit, reporting and annual general meeting costs, share registry expenses and other costs that the Director's expect to be incurred in the vicinity of $360,000 for the year ended 31 December 2006;

• Interest expense assumes an interest rate on borrowings of 7.3% per annum. Interest income assumes an interest rate on cash balances of 6% per annum. It is expected that there will be no change in interest rates applicable to the Company's borrowings during the period to 31 December 2007;

• Income tax has been determined assuming a corporate tax rate within the range of 12.5% to 30% dependent upon the location in which we derive profits applied to net profit before tax. It is assumed that net profit before tax does not include any material non-assessable or non-deductible items for tax purposes.

• It is assumed that the Company's working capital requirements will continue to be a function of historical debtor and creditor terms.

• It is assumed that there will be no impairment of assets (including any intangible assets) during 2007 and that no write down of tangible or intangible assets as a result of impairment will be required.

• The Company's existing borrowings will be sufficient to meet any working capital needs and if fully subscribed no additional borrowings will be required over the year ended 31 December 2007;

• It is expected that a dividend of 1 cent will be paid for the year ended 31 December 2007 in the second quarter 2008;

• The funds raised from the issue of New Shares are intended to be used for costs associated with:
– The development of 3 PET central pharmacies by the Molecular Imaging division;
– Funds reserved for capital expenditure by the Molecular Imaging division may not be required immediately and the Directors may apply such funds to temporarily repay Senior Debt and redraw the funds as required;
– Cyclopharm's New Drug Application to the FDA for marketing approval of the Technegas System in the US;
– Offer Costs to be allocated between Cyclopharm and the Vendor in proportion with the value of Shares sold by them respectively (i.e. ratio of 65 : 35);

Sensitivity Analysis on Forecast Financial Information

The forecast financial information has been based on certain economic and business assumptions about future events. A summary of the Directors' best estimate assumptions underlying the forecast financial information is set out above under the headings Forecast Financial Information – General Assumptions and Forecast Financial Information – Key Assumptions.

Forecast EBIT and profit after tax attributable to members is considered to be sensitive to a number of Directors' best estimate assumptions. The Directors are of the opinion that the major drivers of 2007 EBIT and profit after tax are gross revenue, gross margin and operating expenses.

Accordingly, the Company's forecast for 2007 has been restated assuming:
• a 5% variance in gross sales;
• a 5% variance in gross margin; and
• a 5% variance in operating expenses.

The changes in the key assumptions set out below are not intended to be indicative of the complete range of variations that may occur.

Care should be taken in interpreting this information as the analysis considers a movement in the above stated variables in isolation. This possible variance in other assumptions, the effect of which may have offsetting or compounding effects on other variables, are not reflected in the following analysis.

Typically the Company's management would respond to material adverse changes by taking action to minimise, to the extent possible, adverse effects on profit and dividends. The effect of any such mitigating action has also been excluded from the following analysis.

Year Ending December 2007 (A$'000)

Assumptions	Percentage change (+or-)	EBIT Impact	PAT impact
Gross profit remains constant	Impact of a 5% change of sales	+/- 428,739	+/- 393,123
All other operating expenses remain constant	Impact of a 5% change in margins	+/- 305,262	+/- 279,904
Sales and margins remain constant	Impact of a 5% change in operating expenses	+/- 249,536	+/- 228,807

Sensitivity Analysis on Minimum Subscription Being Subscribed

The financial forecast assumes that the Offer is fully subscribed raising $11.0m. The minimum subscription is $7.0m. The forecast use of funds raised from the Offer should only the minimum subscription be subscribed is tabled below:

Use of Funds	New Shares $	Existing Shares $	Total $
Proceeds of the Offer	4,550,000	2,450,000	7,000,000
Molecular Imaging division	2,341,440 [1]	–	2,341,440
Repayment of debt	–	2,176,160 [2]	2,176,160
FDA Costs	1,700,000	–	1,700,000
Offer Costs	508,560	273,840	782,400
	$4,550,000	$2,450,000	$7,000,000

1. Should only the minimum subscription of $7.0 million be subscribed the Company will raise $4,550,000 or $2,468,484 less than its share of the offer should the Offer be fully subscribed. In this circumstance the Company will fund the shortfall ($2,468,484) by drawing upon its cash reserves to complete the Molecular Imaging and FDA investment program.

2. The Vendor will raise $2,450,000 should only the minimum subscription of $7.0 million be subscribed and the amount of debt it repays will reduce to $2,176,160.

The proforma balance sheet as set out in section 10, Independent Accountant's Report assumes that the Offer is subscribed to $11.0 million. Whilst Directors believe the Company will have sufficient resources to fulfil its business plan the revenue and profit impact on the Company for 2007 is forecast to be:

- Forecast interest revenue would decrease by approximately $180,000 to approximately $309,000.
- Profit after tax would decrease by approximately $141,000 to approximately $3.12 million

PITCHER PARTNERS
CORPORATE PTY LTD

Level 19
15 William Street
Melbourne
Victoria 3000

Postal Address:
GPO Box 5193
Melbourne Vic 3001
Australia

ABN 53 175 240 145
AFS LICENCE NO. 229841

Tel: 03 8610 5000
Fax: 03 8610 5999

www.pitcher.com.au
partners@pitcher.com.au

Pitcher Partners is an association of Independent firms
Melbourne | Sydney | Brisbane | Perth | Adelaide

MWP: bp

27 November 2006

The Directors
Cyclopharm Limited
Suite 630, Level 6
1 Queens Road
MELBOURNE VIC 3304

Dear Sirs,

INDEPENDENT ACCOUNTANT'S REPORT ON HISTORICAL AND FORECAST FINANCIAL INFORMATION

This report has been prepared at the request of the Directors of Cyclopharm Limited ("Cyclopharm" or "the Company") for inclusion in a Prospectus to be dated on or around 28 November 2006 in connection with the initial public offering of 36,666,668 Shares at an Offer Price of $0.30 per Share to raise $11.0 million. The Offer comprises 23,394,949 New Shares and 13,271,719 Existing Shares currently owned by the Vita Life Sciences Limited ("Vita Life"). The minimum subscription is $7.0 million, with proceeds from the Offer to be split approximately in the ratio 65:35 between New Shares and Existing Shares.

Pitcher Partners Corporate Pty Ltd ("Pitcher Partners Corporate") has been requested to prepare a report covering the Historical and Forecast Financial Information described below and disclosed in the Prospectus. Pitcher Partners Corporate holds the appropriate Australian Financial Services Licence for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of Terms in the Prospectus.

Background

Cyclopharm was established on 31 October 2005 as an unlisted public company.

On 31 May 2006 Cyclopharm completed the acquisition of its controlled entities that collectively constitute the nuclear medicine products business (including the Technegas System business). The nuclear medicine products business was previously conducted by Vita Medical Limited and its controlled entities ("Vita Medical"), a group wholely owned by Vita Life. The acquisition of the nuclear medicine products business was approved by shareholders and noteholders in Vita Life on 12 April 2006, the full details of which were set out in a prospectus issued by Cyclopharm dated 27 March 2006. The nuclear medicine products business was acquired for $6.7 million in cash and a further $2.9 million satisfied through the issue of 106,666,657 shares in Cyclopharm.

Vita Life, through a share sale to its noteholders under the prospectus issued by the Cyclopharm dated 27 March 2006, a non-renounceable rights issue to its shareholders under a supplementary prospectus dated 10 October 2006, and sale of Existing Shares under this Prospectus, if fully subscribed, will no longer be a shareholder in Cyclopharm.

Cyclopharm, in September 2006 allotted a further 5,651,000 shares at $0.30 each by way of a private placement.

Historical Financial Information

The Historical Financial Information set out in Section 9, Financial Information of the Prospectus and Appendix 2 of this report comprises:

- the audited Consolidated Income Statement and Consolidated Statement of Cashflows for the two years ended 31 December 2004 and 31 December 2005 of Vita Medical;
- the reviewed Consolidated Balance Sheet and Consolidated Statement of Changes in Equity of Cyclopharm as at 30 June 2006;
- the reviewed Consolidated Income Statement and Consolidated Statement of Cashflows of Cyclopharm for the period ended 30 June 2006;
- the Pro forma Consolidated Balance Sheet and Pro forma Consolidated Statement of Changes in Equity as at 30 June 2006 ("the Pro forma Financial Information") of Cyclopharm on the assumption that all transactions stated in Appendix 1 of this report have occurred or will occur as a consequence of the Offer proceeding;
- the notes to the above Historical Financial Information.

The Historical Financial Information set out in Appendix 2 has been extracted from the audited financial statements of Vita Medical and Cyclopharm. The financial statements were either audited or reviewed by Gould Ralph & Company who issued unqualified audit reports in respect of the financial statements of Vita Medical for the financial years ended 31 December 2004 and 31 December 2005 and an unqualified review report for the period ended 30 June 2006 for Cyclopharm. (reflecting the trading result of the Cyclopharm Group for the month of June 2006 only).

The Pro forma Financial Information includes Cyclopharm Limited and its controlled entities. The Pro forma Financial Information discloses the transactions expected to occur at listing date as if they had occurred at 30 June 2006.

The Directors of the Company are responsible for the preparation of the Historical Financial Information. The accounting policies adopted in the preparation of the Historical Financial Information are as set out in the notes to the Financial Statements included in Appendix 2 to this report.

Forecast Financial Information

The Forecast Financial Information outlined in Sections 9, Financial Information of the Prospectus comprises:

- the Forecast Consolidated Income Statement for the years ending 31 December 2006 and 31 December 2007; and
- best estimate assumptions underlying the Forecast Financial Information.

The Forecast Financial Information has been prepared by the Directors of the Company in order to provide potential investors with a guide to the potential financial performance of the Company for the years ending 31 December 2006 and 31 December 2007 and assumes the Cyclopharm Group existed and operated for the year ending 31 December 2006.

The Directors are responsible for the preparation and presentation of the Forecast Financial Information, which is based on best-estimate assumptions relating to future events they expect to occur and actions that they expect to take, including the pro forma transactions.

The sensitivity analysis set out in Section 9, Financial Information of the Prospectus highlights the impacts on the forecast financial performance of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company detailed in section 8, Risk Factors of the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. We disclaim any assumptions of responsibility for any reliance on this report or on the forecasts to which it relates for any other purposes other than for which it was prepared.

Scope

Review of Historical Financial Information

For the purposes of this report, we have reviewed the Historical Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Historical Financial Information set out in Appendix 2 of this report, is not presented fairly in accordance with the basis of preparation set out in Appendix 1 of this report.

Our review of the Historical Financial Information has been conducted in accordance with AUS 902 "Review of Financial Reports" applicable to review engagements and AGS 1062 “Reporting in connection with Proposed Fundraising”. Our procedures included the following:

- enquiries and interviews with the directors, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors;
- a review of accounting policies for consistency of application and adjustments made, if any, to align the accounting policies to those of Cyclopharm as set out in Appendix 2 of this report; and
- a review of the transactions incorporated in the Pro forma Financial Information as set out in Appendix 1 of this report.

These procedures have been undertaken to form an opinion whether, in all material respects, the Historical Financial Information is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements. 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 on the Historical Financial Information.

Review of Forecast Financial Information

We have reviewed the Forecast Financial Information together with the underlying assumptions on which the Forecast Financial Information is based as set out in Sections 9 of the Prospectus in order to give a statement thereon to the Directors of the Company.

This report has been prepared having regard to the guidance set out in AUS 804 “The Audit of Prospective Financial Information”, AGS 1062 “Reporting in connection with Proposed Fundraising”, and ASIC Policy Statement 170 “Prospective Financial Information”.

Our review of the Forecast Financial Information has been conducted in accordance with AUS 902 "Review of Financial Reports" applicable to review engagements. Our procedures consisted primarily of enquiry, comparison, and analytical review procedures including discussions with management and Directors of the Company of the factors considered in determining their assumptions. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information and the evaluation of Accounting Policies used in the Forecast Financial Information. These procedures have been undertaken in order to state whether anything has come to our attention, which causes us to believe that:

- the Directors' best-estimate assumptions, as set out in Sections 9, Financial Information of the Prospectus, do not provide reasonable grounds for the preparation of the Forecast Financial Information; and
- Whether in all material respects, the Forecast Financial Information is not properly compiled on the basis of the Directors' best-estimate assumptions, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies of Cyclopharm to present a view consistent with our understanding of Cyclopharm's historical and forecast operations.

The Directors are responsible for the preparation of the Forecast Financial Information which is provided to potential investors as a guide to the Cyclopharm's potential future performance. There is a significant degree of subjective judgment in the preparation of forecasts. As such actual results may vary materially from the financial forecast information. Accordingly, investors should have regard to the investment risks and sensitivities outlined in Section 8, Risk Factors of the Prospectus.

Our review, which is not an audit, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards and provides less assurance than an audit. Accordingly, we do not express an opinion of the Forecast Financial Information.

The Forecast Financial Information, relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the underlying assumptions, these assumptions are generally future-orientated and therefore speculative in nature. Actual financial performance may vary from the Forecast Financial Information presented in the Prospectus and such variations may be material.

Conclusion

Review Statement on the Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical Financial Information set out in Appendix 2 of this report does not fairly present:

- the Consolidated Income Statement and Consolidated Statement of Cashflows for the years ended 31 December 2004 and 31 December 2005;
- the Consolidated Income Statement and Consolidated Statement of Cashflows for the period ended 30 June 2006;
- The reviewed Consolidated Balance Sheet and Consolidated Statement of Changes in Equity as at 30 June 2006;
- the Pro forma Financial Information as at 30 June 2006 assuming that all transactions outlined in Appendix 1 have occurred or will occur as a consequence of the Offer proceeding; and
- the notes to the above Historical Financial Information.

Review statement on the Forecast Financial Information

Based on our review, which is not an audit, of the Forecast Financial Information contained at Section 9, Financial Information of the Prospectus, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions do not provide reasonable grounds for the preparation of the Forecast Financial Information;

- the Forecast Financial Information is not properly compiled on the basis of the Directors' best-estimate assumptions; and
- the Directors' Forecast Financial Information is not itself unreasonable.

Actual financial performance is likely to be different from the Forecast Financial Information since anticipated events frequently do not occur as expected and the variations may be material. Accordingly, we express no opinion as to whether the Forecast Financial Information will be achieved.

Subsequent Events

Apart from the matters dealt with in this report, and having regard for the scope of our report, nothing has come to our attention that would cause us to believe that matters arising after 30 June 2006, other than the matters dealt with in this report or the Prospectus, would require comment on, or adjustment to, the information contained in this report, or would cause such information to be misleading or deceptive.

Independence and Disclosure of Interest

Pitcher Partner Corporate does not have any interest in the outcome of this Offer other than the preparation of this report and the provision of financial due diligence and other advisory services in relation to the Offer, for which normal professional fees will be received.

Financial Services Guide

Our Financial Services Guide has been included at the end of this report to assist retail investors in their use of any general financial product advice that may be in our report.

Yours faithfully
PITCHER PARTNERS CORPORATE PTY LTD

M W PRINGLE
Director and Representative

APPENDIX 1

1. Normalisation Adjustments – Historical Trading Results

There are no normalisation adjustments pertaining to the Historical Financial Information in this report as the whole business previously carried on by Vita Medical was acquired by Cyclopharm and there have been no material alterations to the business activities undertaken over the period, other than the cessation of a business discussed below

For comparative purposes the Company, in Section 9, Financial Information has reflected normalised results for the year ended 31 December 2005. The result was adjusted to remove the impact of the loss of $345,492 incurred through the discontinuation of certain operations as this was a one off non-recurring event.

2. Pro Forma Assumptions

The following is a summary of the significant transactions that have occurred or are likely to occur by the time of the completion of the Offer. These transactions are assumed to have occurred at 30 June 2006 for the purposes of the Pro forma Financial Information.

- The allotment of 5,651,000 fully paid ordinary shares at $0.30 each by way of a private placement in September 2006.
- The Offer is fully subscribed resulting in the issue of 23,394,949 New Shares in Cyclopharm for $0.30 per share.
- The payment of $559,416 (GST inclusive) of costs relating to the Prospectus borne by Cyclopharm, being its share of the Offer costs and $38,144 in relation to the private placement in September 2006.
- The Pro forma Financial Information comprises Cyclopharm Limited and its controlled entities (refer to following table).

Entity and activity	**Place of incorporation**	**Equity Interest**
Cyclopharm Limited - parent entity	Australia	-
Vita Medical Australia Pty Ltd - manufacturer of Technegas products	Australia	100%
Vitamedica Europe Ltd - sub holding company	Ireland	100%
Subsidiaries of Vitamedica Europe Ltd:		
Cyclomedia Europe Ltd - Master distributor in Europe, Africa and Middle East	Ireland	100%
Cyclomedia Germany GmbH - German distributor and service agent	Germany	100%
Vita Medical Canada Ltd - Canadian distributor and service agent	Canada	100%
Allrad No 28 Pty Ltd - holds Technegas and Thrombotrace patents	Australia	100%
Allrad No 29 Pty Ltd - holds Technegas and Thrombotrace patents	Australia	100%

APPENDIX 2

CYCLOPHARM LIMITED – FINANCIAL INFORMATION
HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Set out below is the Historical and Pro forma Financial Information of the Company. The Pro forma Financial Information reflects the pro forma adjustments to the reviewed financial statements of Cyclopharm as at 30 June 2006 to give effect to the impact of the significant transactions that are likely to occur and are contingent upon the completion of the Offer.

These statements reflect the normalisation adjustments and pro forma assumptions as set out in Appendix 1.

CYCLOPHARM LTD AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT

	Notes	Consolidated Entity		
		30 June 2006 (1 Month)	31 December 2005	31 December 2004
		(Cyclopharm)	(Vita Medical)	(Vita Medical)
		$	$	$
Revenue	2	746,435	9,125,797	8,767,672
Raw materials and consumables used		(170,528)	(2,027,960)	(1,759,266)
Employee benefits expense		(153,817)	(2,016,271)	(1,716,462)
Advertising and promotion expenditure		(124)	(66,706)	(111,170)
Depreciation and amortisation expense		(6,847)	(78,878)	(86,080)
Freight and duty expense		(7,735)	(282,864)	(180,997)
Finance costs		(19,404)	(53,579)	(53,874)
Research and development costs		(2)	(31,571)	(34,051)
Administration costs		(112,480)	(1,516,600)	(1,581,043)
Other expenses		(116,422)	(382,048)	(470,835)
Profit before income tax		**159,076**	**(2,669,320)**	**2,773,894**
Income tax (expense)/benefit	3	1,020	(687,066)	(559,671)
Profit after income tax expense from continuing operations		**160,096**	**1,982,254**	**2,214,223**
Discontinued operations				
Loss from discontinued operations		-	(345,492)	-
Profit for the period		**160,096**	**1,636,762**	**2,214,223**
Profit attributable to minority equity interest		-	(54,734)	(67,047)
Profit attributable to the members		**160,096**	**1,582,028**	**2,147,176**

CYCLOPHARM LTD AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2006 Actual	As at 30 June 2006 Pro Forma
		$	$
CURRENT ASSETS			
Cash and cash equivalents		540,822	8,657,047
Receivables	5	2,488,240	2,488,240
Inventories	6	1,545,620	1,545,620
Other Current Assets	7	154,002	154,002
TOTAL CURRENT ASSETS		**4,728,684**	**12,844,909**
NON-CURRENT ASSETS			
Receivables	5	118,670	118,670
Property Plant and Equipment	8	973,454	973,454
Deferred tax assets	3	151,935	331,203
Intangible Assets	9	6,726,533	6,726,533
TOTAL NON-CURRENT ASSETS		**7,970,592**	**8,149,860**
TOTAL ASSETS		**12,699,276**	**20,994,769**
CURRENT LIABILITIES			
Trade and other payables	10	1,762,320	1,762,320
Current tax liabilities	3	187,300	187,300
Provisions	12	200,614	200,614
TOTAL CURRENT LIABILITIES		**2,150,234**	**2,150,234**
NON-CURRENT LIABILITIES			
Long term borrowings	11	7,321,518	7,321,518
Deferred tax liability	3	70,105	70,105
Provisions	12	113,232	113,232
TOTAL NON-CURRENT LIABILITIES		**7,504,855**	**7,504,855**
TOTAL LIABILITIES		**9,655,089**	**9,655,089**
NET ASSETS		**3,044,187**	**11,339,680**
EQUITY			
Contributed equity	13	6,403,376	14,698,869
Reserves	14	(487,219)	(487,219)
Retained earnings		(2,871,970)	(2,871,970)
TOTAL EQUITY		**3,044,187**	**11,339,680**

CYCLOPHARM LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Consolidated Entity As at 30 June 2006 Actual	Consolidated Entity As at 30 June 2006 Pro Forma
		$	$
TOTAL EQUITY AT THE BEGINNING OF THE PERIOD		10	10
Reverse acquisition business combination	19	2,844,967	2,844,967
Exchange differences on translation of foreign operations		39,114	39,114
Net income recognised directly in equity			
Profit/loss for the period		160,096	160,096
Total recognised income and expense for the period		160,096	160,096
Attributable to:			
Members of the parent		160,096	160,096
Transactions with equity holders in their capacity as equity holders:			
Contributions	13	-	8,295,493
		-	8,295,493
TOTAL EQUITY AT THE END OF THE YEAR		**3,044,187**	**11,339,680**

CYCLOPHARM LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated Entity		
	30 June 2006 (1 Month)	31 December 2005	31 December 2004
	(Cyclopharm)	(Vita Medical)	(Vita Medical)
	$	$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	856,507	7,383,891	6,822,849
Payments to suppliers and employees	(670,995)	(5,780,680)	(4,879,199)
Interest received	565	9,750	19,690
Income tax received (paid)	(16,226)	(142,434)	(250,524)
Other	-	-	207,141
Net cash provided by operating activities	**169,851**	**1,470,527**	**1,919,957**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	-	(90,012)	(19,958)
Payments for research and development	-	(81,372)	-
Payments for deferred expenditure	-	-	(105,536)
Proceeds from sales of short term investments	-	-	20,176
Proceeds from sale of property, plant and equipment	-	-	54,160
Net cash on acquisition of controlled entities	279,562	-	-
Other	-	(38,542)	(797)
Net cash provided by investing activities	**279,562**	**(209,926)**	**(51,955)**
CASH FLOW FROM FINANCING ACTIVITIES			
Other contributed equity from transferred tax liabilities	-	446,312	398,634
Proceeds/(Repayment) of borrowings	87,511	(1,894,818)	(2,207,770)
Net cash provided by financing activities	**87,511**	**(1,448,506)**	**(1,809,136)**
Net increase/(decrease) in cash and cash equivalents	536,924	(187,905)	58,866
Cash and cash equivalents at beginning of year	-	340,547	281,591
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies	3,898	-	-
Cash and cash equivalents at end of the year	**540,822**	**152,552**	**340,457**

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

(a) Basis of preparation of the financial report

The financial information has been prepared on the basis of assumptions outlined elsewhere in the Prospectus. In addition, the Financial Information has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations or non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial information presented in this Prospectus is presented in abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act, 2001.

(b) Basis of consolidation

The Consolidated Pro Forma Financial Information is prepared by combining the financial information of the parent entity, Cyclopharm Limited and its subsidiaries as at 30 June 2006.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.
Controlled entities 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 controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Group has control.

Minority interests represent the interests in Cyclomedica Europe Limited not held by the Group. It is now wholly owned.

(c) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changed in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) 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 (Aus$) 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 controlled entities, Vitamedica Europe Ltd, Cyclomedica Germany GmbH, Cyclomedica Europe Ltd, is European Euro (Euro €) and Vita Medical Canada Ltd 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.

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

(e) 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.

(f) 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.

(g) 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.

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

(h) 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.

(i) 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.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) 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.

(k) 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.

(l) 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.

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

(m) Employee Benefits

Provision is made for the consolidated entity'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.

(n) 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.

(o) 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").

(p) 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 to 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.

(q) 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.

(r) 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.

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

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.

	Consolidated Entity		
	30 June 2006 (1 Month) (Cyclopharm)	31 December 2005 (Vita Medical)	31 December 2004 (Vita Medical)
	$	$	$
NOTE 2: REVENUE			
Revenues from continuing operations			
Sales Revenue			
Revenue from sale of goods	743,657	8,806,252	8,752,818
	743,657	8,806,252	8,752,818
Other Income			
Interest	2,778	210,475	14,854
Foreign exchange gains	-	109,070	-
Total revenue	746,435	9,125,797	8,767,672
NOTE 3: INCOME TAX			
(a) The major components of income tax expense comprises			
Current tax	40,911	626,813	569,369
Deferred tax	(41,931)	60,253	(9,698)
Total Income tax expense/(benefit)	**(1,020)**	**687,066**	**559,671**

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Entity		
	30 June 2006 (1 Month) (Cyclopharm)	31 December 2005 (Vita Medical)	31 December 2004 (Vita Medical)
	$	$	$
NOTE 3: INCOME TAX (continued)			
(b) A reconciliation of income tax expense applicable to accounting profit from continuing activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows.			
Income tax on profit before tax from continuing operations at the statutory rate of 30% (2004:30%)	47,723	800,796	832,168
Tax effects of:			
Expenditure not allowable for income tax purposes	341	92,604	35,706
Effects of lower rates of tax on overseas income	(55,594)	(173,492)	(273,146)
Tax expense offset against carry forward tax losses	6,510	-	5,172
Tax expense offset against carry forward tax losses	-	(32,842)	(40,229)
At effective income tax rate of 25.7% (2004: 20.2) (Parent: 30.6%, 2004: 30.6%)	**(1,020)**	**687,066**	**559,671**
(c) Tax Assets and Liabilities			
Liabilities			
Current income tax liability – current	187,300	41,372	129,480
Deferred tax liability comprises			
Capitalised expenditure	62,005	60,655	-
Other	8,100	2,858	1,055
	70,105	**63,513**	**1,055**
Assets			
Deferred tax assets comprises:			
Provisions	100,154	90,015	88,132
Carried forward tax losses	35,908	-	-
Other	15,873	2,887	2,566
	151,935	**92,902**	**90,698**

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Entity		
	30 June 2006 (1 Month) (Cyclopharm)	31 December 2005 (Vita Medical)	31 December 2004 (Vita Medical)
	$	$	$
NOTE 4 AUDITOR'S REMUNERATION			
Amounts received or due and receivable by Gould Ralph & Company for the audit of the financial report of the entities within the consolidated group	19,500	36,000	29,077
Amounts received or due and receivable by auditors other than Gould Ralph & Company for the audit of financial reports of subsidiary entities	30,000	28,000	18,076
	49,500	**64,000**	**47,153**

	Consolidated Entity	
	As at 30 June 2006 Actual	As at 30 June 2006 Pro Forma
	$	$
NOTE 5 RECEIVABLES		
CURRENT		
Trade receivables	2,656,745	2,656,745
Provision for doubtful debts	(451,290)	(451,290)
	2,205,455	2,205,455
Other Debtors	282,785	282,785
Total Current receivables	**2,488,240**	**2,488,240**
NON-CURRENT		
Related party receivables	118,670	118,670
	118,670	**118,670**
NOTE 6 INVENTORIES		
CURRENT		
Raw materials at cost	538,990	538,990
Finished goods, at lower of cost or net realisable value	1,006,630	1,006,630
Total inventories	**1,545,620**	**1,545,620**
NOTE 7: OTHER CURRENT ASSETS		
Prepayments	**154,002**	**154,002**

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Entity	
	As at 30 June 2006 Actual	As at 30 June 2006 Pro Forma
	$	$
NOTE 12: PROVISIONS (continued)		
NON-CURRENT		
Employee entitlements	113,232	113,232
Total employee benefits	**261,346**	**261,346**

NOTE 13: CONTRIBUTED EQUITY

(a) Issued and paid up capital		
106,666,667 ordinary shares (Proforma 2006: 135,712,616) fully paid	**6,403,376**	**14,698,869**
Movements during the year		
Balance at the beginning of the year	10	10
Reverse acquisition business combination	6,403,366	6,403,366
Issue of 5,561,000 ordinary shares at $0.30	-	1,695,300
Issue of 23,394,949 ordinary shares at $0.30	-	7,018,485
Capital raising costs	-	(418,292)
Balance at the end of the year	**6,403,376**	**14,698,869**

Terms and conditions
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Entity	
	As at 30 June 2006 Actual	As at 30 June 2006 Pro Forma
	$	$
NOTE 14: RESERVES		
Foreign currency translation	**487,219**	**487,219**
Movements during the year		
Foreign currency translation		
Reverse acquisition business combination	(526,333)	(526,333)
Net translation adjustment	39,114	39,114
Balance at end of year	**487,219**	**487,219**

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries

NOTE 15: COMMITMENTS AND CONTINGENCIES		
Operating lease commitments		
Non-cancellable operating leases contracted but not capitalised in the financial statements:		
Within one year	84,280	84,280
One year or later and not later than five years	-	-
Greater than 5 years	-	-
	84,280	**84,280**

NOTE 16: SEGMENT INFORMATION

The consolidated entity has the following business segments and geographical segments:

(a) **Business segments**
The group operates in the industry segment of the manufacture and sale of medical diagnostic equipment.

(b) **Geographical segments**
The consolidated entity operates in the regions identified in Note 16 (c)

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: SEGMENT INFORMATION (continued)

(c) Primary Segment Information

Geographic segments	Australia	Asia	Europe	Canada	Other	Consolidated Entity
	As at 30 June 2006 Actual	As at 30 June 2006 Actual	As at 30 June 2006 Actual	As at 30 June 2006 Actual	As at 30 June 2006 Actual	As at 30 June 2006 Actual
Revenue						
Sales revenue	152,859	-	536,690	47,692	6,416	743,657
Other	2,778	-	-	-	-	2,778
Total revenue	**155,637**	**-**	**536,690**	**47,692**	**6,416**	**746,435**
Segment operating profit/(loss) before income tax and minority interest	(145,519)	(10,325)	283,916	25,088	5,916	159,076
Income tax benefit/(expense)	40,730	-	(39,710)	-	-	1,020
Profit from ordinary activities after income tax (before minority interest)	**(104,789)**	**(10,325)**	**244,206**	**25,088**	**5,916**	**160,096**
Segment Assets	**9,148,121**	**-**	**3,241,649**	**309,506**	**-**	**12,699,276**

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date recognised as financial assets is the carrying amount, net of any provisions for doubtful debts which is $451,290 at 30th June, 2006, as disclosed in the balance sheet and notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(d) Net Fair Values

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

NOTE 18: SUBSEQUENT EVENTS

Borrowings

On 19 July 2006, Cyclopharm Ltd entered in to 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 Ltd.

Fundraising for Cyclopharm

Cyclopharm Ltd 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 part 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 and reduce debt.

Shareholdings

In November 2006, Vita Life Sciences Ltd (VLS), the controlling shareholder, sold 58,995,547 shares it held in Cyclopharm to 747 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 %.

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: ACQUSITION OF SUBSIDIARIES

With effect from 31 May 2006, the Group acquired 100% of the issued capital of the following entities:

- Vita Medical Australia Pty Ltd (including all the operating assets and liabilities formerly owned by Vita Medical Ltd)
- Vitamedica Europe Ltd
- Cyclomedica Europe Ltd
- Vita Medical Canada Ltd
- 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.

The net assets acquired in the business combination and goodwill arising was as follows:

Net assets acquired:	$
Cash and cash equivalents	279,562
Trade and other receivables	2,898,973
Inventories	1,552,852
Property, plant and equipment	878,540
Intangible assets – development costs	206,685
Deferred tax assets	112,120
Trade and other payables	(1,240,721)
Current tax liabilities	(146,389)
Borrowings – related parties	(1,323,360)
Provisions	(301,073)
Deferred tax liabilities	(72,221)
Goodwill arising on consolidation	2,844,967
Consideration	6,000,000
	8,844,967

Pitcher Partners Corporate Pty Ltd
ABN: 28 082 323 868
AFSL: 229841

Level 19
15 William Street
MELBOURNE VIC 3000
Tel: +61 (0) 3 8610 5000

Financial Services Guide

27 November 2006

What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided by Pitcher Partners Corporate Pty Ltd. The us of "we", "us" or "our" is a reference to Pitcher Partners Corporate Pty Ltd as the holder of Australian Financial Services Licence ("AFSL") No. 229841. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide.
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by Cyclopharm Limited to give general financial product advice in the form of a report to be provided to you in connection with a financial product to be issued by another party. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us by writing to GPO Box 5193 AA, MELBOURNE VIC 3001, or by telephone on +61 (0) 3 9289 9999.

Pitcher Partners Corporate Pty Ltd is ultimately owned by the Victorian partnership of Pitcher Partners, a provider of audit and assurance, accounting, tax, corporate advisory, insolvency, superannuation, investment advisory and consulting services. Directors of Pitcher Partners Corporate Pty Ltd are partners of Pitcher Partners.

The Victorian partnership of Pitcher Partners is an independent partnership of Pitcher Partners. As such, neither it nor any of the other independent partnerships has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the name "Pitcher Partners", or other related names.

The financial product advice in our report is provided by Pitcher Partners Corporate Pty Ltd and not by the Victorian partnership of Pitcher Partners or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, we and the Victorian partnership of Pitcher Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide general financial product advice only in respect of securities, derivatives, debentures, stocks or bonds issued or proposed to be issued by a government and interests in managed investment schemes including investor directed portfolio services and deposit and payment products limited to basic deposit products and deposit products other than basic deposit products.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure

Statement ("PDS") or offer document provided by the issuer of the financial product. The purpose of the PDS is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or partied who actually engage us and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Pitcher Partners Corporate Pty Ltd nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee is estimated to be $35,000 exclusive of GST and expenses and will also be disclosed in the relevant PDS or offer document prepared by the issuer of the financial product.

All of our employees receive a salary with partners also having an equity interest in the partnership. We do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Managing Partner
Pitcher Partners
GPO Box 5193
MELBOURNE VIC 3001

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service
GPO Box 579
Collins Street West
MELBOURNE VIC 8007
Telephone: 1300 780 808
Fax: +61 3 9621 2291
Internet: http://fics.asn.au

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: info@asic.gov.au
Internet: http://www.asic.gov.au/asic/asic.nsf

11 Directors and Senior Management and Corporate Governance

The Board of Cyclopharm

Mr Vanda R Gould

Mr John S Sharman

Mr David J Heaney

Dr Bernard C Salin

Mr Henry G Townsing

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Entity	
	As at 30 June 2006 Actual	As at 30 June 2006 Pro Forma
	$	$
NOTE 8: PROPERTY PLANT AND EQUIPMENT		
Prepayments		
Leasehold improvements, at cost	198,850	198,850
Accumulated depreciation	(166,757)	(166,757)
	32,093	32,093
Plant and Equipment	1,409,808	1,409,808
Accumulated depreciation	(790,076)	(790,076)
	619,732	619,732
Leased plant and equipment at cost	739,638	739,638
Accumulated depreciation	(418,009)	(418,009)
	321,629	321,629
Total property, plant and equipment	**973,454**	**973,454**
NOTE 9: INTANGIBLES		
Goodwill on consolidation	6,531,687	6,531,687
Production development costs, at cost	194,846	194,846
	6,726,533	**6,726,533**
NOTE 10: PAYABLES		
CURRENT		
Trade creditors	1,052,147	1,052,147
Other creditors and accruals	710,173	710,173
	1,762,320	**1,762,320**
NOTE 11: BORROWINGS		
NON-CURRENT		
Unsecured		
Loans from related entities	**7,321,518**	**7,321,518**
NOTE 12: PROVISIONS		
CURRENT		
Employee benefits	148,114	148,114
Warranties	7,500	7,500
Other	45,000	45,000
	200,614	**200,614**

CYCLOPHARM LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: FINANCIAL INSTRUMENTS

(i) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Weighted average interest rate		Non interest bearing		Variable interest rate		Fixed interest rate maturing in: 1 year or less		1 to 5 years		More than 5 year		Total	
	2006 Actual %	2006 Proforma %	2006 Actual $	2006 Proforma $	2006 Actual $	2006 Proforma $	2006 Actual $	2006 Proforma $	2006 Actual $	2006 Proforma $	2006 Actual $	2006 Proforma $	2006 Actual $	2006 Proforma $
(i) Financial assets														
Cash	3.65	3.65	-	-	540,822	8,657,047	-	-	-	-	-	-	540,822	8,657,047
Receivables	-	-	2,488,240	2,488,240	-	-	-	-	-	-	-	-	2,488,240	2,488,240
Total financial assets					**540,822**	**8,657,047**	**-**	**-**	**-**	**-**	**-**	**-**	**3,029,062**	**11,145,287**
(ii) Financial liabilities														
Payables	-	-	1,762,320	1,762,320	-	-	-	-	-	-	-	-	1,762,320	1,762,320
Loans	-	-	7,321,518	7,321,518	-	-	-	-	-	-	-	-	7,321,518	7,321,518
Employee benefits	-	-	-	-	-	-	-	-	261,346	261,346	-	-	261,346	261,346
Total financial liabilities			**9,083,838**	**9,083,838**	**-**	**-**	**-**	**-**	**261,346**	**261,346**	**-**	**-**	**9,345,184**	**9,345,184**

Directors

Mr Vanda R Gould
Chairman

Bachelor of Commerce, University of NSW, Master of Commerce, University of NSW, Fellow of the Institute of Chartered Accountants, Australia and Fellow of the Australian Society of Certified Practising Accountants.

Vanda has broad business experience having practised as a chartered accountant for more than 30 years. As founding Chairman in 1984 of CVC Limited (listed on the ASX) he has overseen investments in several companies involved in the health services/medical industries including what is now Vita Medical Australia. He is also chairman of several other private and public companies and educational establishments.

Vanda lives in Sydney and is 57 years old.

Mr John S Sharman
Managing Director

Master of Applied Finance, Macquarie University, NSW and a Bachelor of Economics Degree from Monash University, Victoria and an Associate of the Institute of Chartered Accountants.

John was appointed Managing Director of Cyclopharm on 1 September 2006. Prior to that date, John was the Executive Director of Vita Life and has been effectively in management control of the Cyclopharm Group since early 2004.

John has over 15 years experience in company management, private equity, investment banking and corporate finance. He has extensive experience in capital raisings, negotiation of key agreements, recovery and commercial strategies for performing and non-performing companies in all stages of company development.

John lives in Melbourne and is 40 years old.

Mr David J Heaney
Non executive Director

David is currently an executive director of Thompson Partners Pty Ltd and a non-executive director of Colorpak Limited and Mariner Financial Limited.

David has more than 38 years experience in all aspects of wholesale banking and finance, gained in senior management roles with The National Australia Bank Limited and subsidiary companies in both Australia and the US. David was formerly a director of The Gribbles Group Limited and Redflex Holdings Limited.

David lives in Melbourne and is 62 years old.

Dr Bernard C Salin
Non executive Director

Ph.D. in Biophysics and Biochemistry, University of Paris (La Sorbonne), "Expert" pursuant to the Code National Français de la Santé, France in Radioprotection for Sealed and non Sealed Sources.

Bernard has broad research experience from his years at the Atomic Energy Centre, Saclay, France. In business he 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 the production of short life PET isotopes.

Bernard lives in Clermont Ferrand, France and is 64 years old.

Mr Henry G Townsing
Non executive Director

Associate Diploma of Valuation, Royal Melbourne Institute of Technology, Victoria.

Henry has more than 20 years experience in corporate finance and private equity. He was a director of Vita Life from 1986 to 1992 and was reappointed a director in 2004. He is a director of Normandy Finance & Investments Asia Ltd, one of Cyclopharm's and Vita Life's largest shareholders, and several other companies.

Henry lives in Melbourne and is 51 years old.

The senior management team of the Cyclopharm Group

Professor Nabil Morcos

Mr Graham N Phillips

Mr Gary T Somerville

Mr Jean-Louis Claude

Mr Bjorn Altmann

Mr Charles Buttigieg

Mr Martin Lema

Ms Lynn McLauchlin

Senior Management

Professor Nabil Morcos

B.A. in Chemistry/Mathematics, Andrews University, Berrien Springs, MI, US and Ph. D. Nuclear Chemistry/Radiochemistry, University of Arkansas, Fayetteville, Arkansas, USA. He held a research professorship (1997-2002) at Vanderbilt University, Nashville, TN, USA and adjunct professorships at the University of Idaho, and Idaho State (1991-1997).

Professor Morcos joined Cyclopharm as Chief Operating Officer and Director of Science on 1 August 2006. He was formerly the Acting Head of the Radiopharmaceutical Research Institute at the Australian Nuclear Science and Technology Organisation. He has a total of 17 years experience in commercial radiopharmaceutical research and product development experience and 17 related and commercialised patents. Professor Morcos lives in Sydney.

Mr Graham N Phillips

Bachelor of Business, Institute of Technology, Sydney.

Graham joined the Cyclopharm Group in 2001 as Finance Manager and has 20 years commercial and financial experience. Graham lives in Sydney.

Mr Gary T Somerville

Certificate in Electronics and Communications, NSW TAFE, NSW.

Gary joined the then Tetley Medical Limited (now Vita Medical Australia) in July 1990 moving into the role of Quality Manager. He implemented a quality management system complying with ISO9000 and more recently the ISO13485 standard. Gary took on an expanded role in Regulatory Affairs to ensure products meet regulatory requirements for sale.

Gary has 29 years experience in production, research and development, engineering, service, and quality and regulatory, with previous positions at management level in production and service. Gary lives in Sydney.

Mr Jean-Louis Claude

MBA, University of Reims, France and a Master in Biochemistry, University of Lyon.

Jean-Louis joined Cyclomedica Europe as the European, Middle East and North Africa Sales and Marketing Manager in 2004. He is responsible for managing relationships with distributors as well as developing new markets. Jean-Louis has 20 years of experience in the nuclear medicine industry. Prior to taking up his position with Cyclomedica, he was sales manager with GE Healthcare responsible for launching brachytherapy in France. Jean- Louis lives in Clermont – Ferrand, France.

Mr Bjorn Altmann

Bjorn joined the Cyclopharm Group as General Manager for Germany after the formation of Cyclomedica Germany in 2005. Bjorn and his family have had a long association with the German nuclear medicine industry and an association with the Technegas System over 18 years. Bjorn lives in Salzgitter, Germany.

Mr Charles Buttigieg

Bachelor of Science (Honours), Melbourne University, Melbourne and Masters of Science (major in pharmacology) Melbourne University, Melbourne.

Charles joined the Cyclopharm Group in 2004 as Australian Sales and Marketing Manager. Prior to taking up his position with the Cyclopharm Group, he was employed as a sales manager with the Australian Nuclear Science and Technology Organisation for 13 years. He has worked in the pharmaceutical industry since 1978. Charles is responsible for sales and marketing initiatives in Australia and New Zealand. Charles lives in Melbourne.

Mr Martin Lema

Martin joined the Cyclopharm Group in 2004 as the South American Sales and Marketing Manager for Cyclomedica. He has 22 years of experience in the nuclear medicine industry.

Martin is responsible for managing Cyclopharm Group's relationship with South American distributors and developing new markets. Martin lives in Buenos Aires, Argentina.

Ms Lynn McLauchlin

Lynn joined the Cyclopharm Group as General Manager for Canada in 2003. She has over 23 years experience in clinical and commercial nuclear medicine.

Lynn established the Group's Canadian operations and continues to oversee all aspects of its development. Lynn lives in Burlington. Canada.

Corporate Governance

The Company is a holding company and its main corporate governance practices, as applicable to all Subsidiaries, are summarised below.

Role of the Board

The Board is responsible to Shareholders and investors for the Cyclopharm Group's overall corporate governance.

The Board has established and approved a board charter. Under this charter the Board is responsible for:

- considering and approving the corporate strategies proposed by the Managing Director and monitoring their implementation;
- approving, overseeing and monitoring financial and other reporting to Shareholders, investors, employees and other stakeholders of the Company;
- ensuring that the Company has the appropriate human, financial and physical resources to execute its strategies;
- appointing and monitoring the performance of, and removing the Managing Director;
- ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer and / or Company Secretary;
- reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal controls and accounting systems; and
- ensuring appropriate governance structures are in place including standards of ethical behavior and a culture of corporate and social responsibility.

The Board proposes to hold eleven scheduled meetings each year should the Company become listed on the ASX and other meetings may be held at short notice as required.

Composition of the Board

The Board is currently comprised of four non-executive Directors and one executive director, in conformity with the Company's policy that the Board not have a majority of executive directors. The Chairman, Mr V R Gould, is a non-executive director.

The composition of the Board has been determined using the following principles:

- the Constitution of the Company provides for a minimum of 3 directors and a maximum of 9;
- the chair of the Board should be a non-executive Director;
- the Board should comprise a majority of non-executive Directors;
- the Board should have enough directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- the Board should comprise Directors with a broad range of expertise.

The Board does not strictly comply with the ASX Principles of Good Corporate Governance and Best Practice Recommendations in that:

- the Chairman, whilst a non-executive, is not an independent director because other entities of which he is a director have approximately 11.4% of the Shares (the Recommendations permit 5%). The Board has considered this matter and decided, Mr. Gould abstaining from expressing a view, that the non-compliance does not affect the operation of the Company and that so long as Mr. Gould continues to act as he has since his appointment to the Boards of various entities making up the Cyclopharm Group, there is no reason to treat his actions as otherwise than that of an independent, non executive;
- there is a majority of non-executive directors but there is not a majority of independent directors on the Board. The appointment of Mr. Heaney as the first director to satisfy the Recommendations' various tests of independence is noted. The Board has considered this matter, and whilst no vote was taken to avoid the issue of abstentions, the consensus was that the composition of the Board vis-à-vis independence was appropriate having regard to where Cyclopharm was at in terms of its history and the Company's stage of development.

The Recommendations are not intended to be prescriptive but are guidelines about which the Company is required to disclose its approach on an "if not, why not" basis. The Board has determined that the adoption of such formal policies and procedures must be tailored to the Company at minimal expense and must be appropriate for the Company, taking into account the size and complexity of operations.

Conflict of Interest
In accordance with the Corporations Act and the Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.

Independent Professional Advice
Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other Board members.

The Chairman
The Chairman is elected by the full Board and is responsible for:
- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Directors; and
- committing the time necessary to effectively discharge the role of the Chairman.

Committees
To assist the Board in fulfilling its duties and responsibilities, it has established the following committees:
- Audit & Risk Committee; and
- Remuneration Committee.

Audit and Risk Committee
The audit committee comprises 2 Directors, that are non-executive Directors. These are Mr. V R Gould, Chairman of the Audit Committee and Mr. D J Heaney. The Audit Committee's responsibilities include:
- reviewing procedures, and monitoring and advising on the quality of financial reporting (including accounting policies and financial presentation);
- reviewing the proposed fees, scope, performance and outcome of external audits. However, the auditors are appointed by the Board;
- reviewing the procedures and practices that have been implemented by management regarding internal control systems;
- ensuring that management have established and implemented a system for managing material financial and non-financial risks impacting the Company;
- reviewing the corporate governance practices and policies of the Company; and
- reviewing procedures and practices for protecting intellectual property (IP) and aligning IP to strategy.

Remuneration Committee
The Remuneration Committee currently comprises Mr. V R Gould, Chairman of the Remuneration Committee and Mr. H G Townsing.

The Remuneration Committee is responsible for:
- reviewing and approving the remuneration of Directors and other senior executives; and
- reviewing the remuneration policies of the Company generally.

Total remuneration for all non-executive Directors during the financial year ending December 2006 will be $18,900. These Directors' fees are within the aggregate of the $100,000 per annum approved by Shareholders of Cyclopharm in March 2006.

Directors' fees cover all main Board activities and the membership of committees. There are no additional fees for committee membership. These fees exclude any additional 'fee for service' based on arrangements with the Company, which may be agreed from time to time. There were such additional fees paid during the current financial year. Refer section 12, Additional Information - Directors Interests and Remuneration for details. Agreed out of pocket expenses are payable in addition to Directors' fees. There are no retirement or other long service benefits that accrue upon appointment to the Board.

Retiring non-executive Directors are not currently entitled to receive a retirement allowance.

Investment and Business Risk Management
The Board, based on the recommendations of the Managing Director, Mr. J S Sharman, makes decisions on investments for the Company. The Board considers that the general retention by it of the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any proposed major change in investment strategy will be first put to Shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:
• monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
• regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

Shareholdings by Directors and Senior Executives
Directors and senior executives are only entitled to trade their Shares without restriction for up to four weeks following announcements of the Company's half yearly and preliminary final results, any detailed announcements concerning profit forecasts, and after the Company's annual general meeting.

Ethical Standards
The Board endeavours to ensure that the Directors, officers and employees of Cyclopharm act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:
• comply with the law;
• act in the best interests of the Company;
• be responsible and accountable for their actions; and
• observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

12 Additional Information

Cyclopharm

The Company was incorporated in Victoria on 31 October 2005. Its registered office is situated at Building 75, Business and Technology Park, New Illawarra Road, Lucas Heights, NSW, 2234.

As at the date of this Prospectus, and before the issue of New Shares, the Company has 112,317,667 fully paid ordinary Shares on issue. The Company has no options on issue.

Rights Attaching to the Shares

The rights attaching to all Shares are set out in the Constitution. A summary of the more significant and relevant rights and restrictions attaching to the Shares is set out below:

General Meetings

Each Shareholder is entitled to receive notice of and, except in certain circumstances, may attend and subject to the Shareholder having voting rights, vote at general meetings of the Company. Each Shareholder is also entitled to receive all notices and other documents required to be provided to Shareholders under the Constitution and the Corporations Act.

Reports and Notices

The Shareholders are entitled to be present in person or by proxy or representative, to speak and, subject to the shareholder having voting rights, vote at general meetings of the Company. The Shareholders may requisition general meetings in accordance with the Constitution, the Corporations Act and the ASX Listing Rules (if applicable).

Voting

At meetings of the Shareholders of the Company, and subject to any rights or restrictions for the time being attached to any class or classes of Shares of the Company which relate to a shareholder's voting entitlement, each shareholder present in person, or by proxy or representative is:

i. on a show of hands, entitled to one vote.

ii. on a poll, entitled to one vote for each fully paid share of the Company that the shareholder holds, and a fraction of a vote for each partly paid share of the Company that the shareholder holds where the fraction is equivalent to the proportion of the amount paid to the total amounts paid and payable on that Share. Where a shareholder has failed to pay calls and other sums due and presently payable to the Company in respect of its Shares, that shareholder is not entitled to vote at a general meeting.

Where a Shareholder's Shares are deemed to be restricted securities, as defined in the ASX Listing Rules (if applicable), the Shareholder will not be entitled to vote at a general meeting during a breach of the ASX Listing Rules (if applicable) relating to restricted securities or a breach of a restriction agreement by that shareholder.

Dividends

The Directors may from time to time determine a dividend to be paid to Shareholders according to their rights and interests in the profits of the Company. The Directors must deem the dividend to be justified by the profits of the Company. Interest is not payable by the Company in respect of any dividend on Shares. All dividends declared may be paid in cash, by the issue of Shares of the Company, by the granting of options of the Company or by the transfer of assets.

Winding Up

If the Company is wound up and the liquidator has satisfied the claims of all preferred creditors in accordance with the Corporations Act the liquidator may, with the sanction of a special resolution, divide among the members in proportion to the capital paid up on the Shares the whole or any part of the remaining property of the Company and may set the value on any such property and may, subject to the Corporations Act, determine how such division is to be carried out. The liquidator may also, with the sanction of a special resolution, vest the whole or any part of the property in trustees on trust for the contributors as the liquidator thinks fit. No member is compelled to accept any property, including Shares or other securities, in respect of which there is any liability attached. In the event that the Company is wound up, the holders of preference Shares of the Company (if any) are entitled to a return of capital in preference to holders of ordinary Shares of the Company.

Transfer of Shares
A shareholder may transfer Shares by a proper transfer effected in writing in any usual form, or in any other form that the Directors may approve.

Where Shares are transferred by instrument, the Company may only register the transfer of Shares, if the instrument complies with the Constitution. Except where otherwise permitted under the Corporations Act or the ASX Listing Rules (if applicable), the instrument must be accompanied by the certificate for the Shares (but only if there is one), or such other evidence as the Directors may require to prove the title of the transferor or the transferor's right to transfer the Shares.

The Directors may in their absolute discretion decline to register a transfer of Shares where to do so would not contravene the Constitution.

The Directors must decline to register a transfer of Shares where required by the Corporations Act or where the Shares are restricted securities and during the escrow period applicable to them.

On any refusal to register a transfer of Shares, the Directors must give written notice to the transferee (and the relevant broker (if any)) of the refusal, and the reasons for the refusal, within five business days after the day on which the transfer was lodged with the Company. A failure to provide such notice will not invalidate the decision of the Directors.

Issue of Further Shares
Subject to the Constitution and the Corporations Act, the Directors may issue and allot, grant options over, or otherwise deal with or dispose of, all unissued Shares of the Company on such terms and conditions as they determine.

Share Buy Backs and Reduction of Capital
Subject to the Corporations Act the Company may reduce the share capital if the reduction is fair and reasonable to the Company Shareholders as a whole, does not materially prejudice the Company's ability to pay its creditors and is approved by the Shareholders pursuant to the Corporations Act. There are no provisions in the Constitution that preclude the Company buying back its own Shares or which impose restrictions on the exercise of the Company's power to buy back its own Shares under the Corporations Act.

Variation of Rights Attaching to Shares
Subject to the Corporations Act and the Listing Rules (if applicable), the Company may vary or cancel the rights attached to Shares in any class of Shares of the Company with the approval of a special resolution of the members of that class, or with the written consent of at least 75% of the votes attached to the Shares in that class.

Proportional Takeover Provisions
The Constitution prohibits the registration of any transfer of Shares of the Company giving effect to an offer made under a proportional takeover scheme (being, an offer for some but not all of a member's Shares in the Company) unless and until the Shareholders of the Company approve that scheme at a meeting of Shareholders convened to consider the proportional takeover scheme. The offeror and any associates of the offeror are excluded from attending the members' meeting. Each shareholder entitled to be present and to vote at the relevant meeting is entitled to one vote for each Share of the Company they hold that is subject to the proportional takeover scheme. The offer is deemed to be approved if greater than one half of the votes cast are in favour of it.

Shareholder Statements
If there is a change in a Cyclopharm Shareholder's shareholding during a month, the relevant Shareholder will receive a statement to that effect during the following month. Such a Shareholder may also require Cyclopharm to provide a statement at other times, subject to Cyclopharm's right to charge an administration fee for additional statements.

Long Term Incentive Plan
The Directors have resolved to implement a share incentive plan (Long Term Incentive Plan) for executives and employees of the Cyclopharm Group. The terms of the plan are being developed by Directors and its implementation will be subject to Shareholder approval at the next annual general meeting of Cyclopharm to be held during the second quarter of 2007.

Summary of Material Contracts

The Directors consider the material contracts described below are contracts which, taken collectively, an investor and their professional adviser would reasonably regard as material, and would reasonably require and reasonably expect to find in this Prospectus for the purpose of making an informed assessment of the Offer contained in this Prospectus.

Sale & Purchase of Business between Vita Medical Limited (VML) and Vita Medical Australia
Under this agreement VML sold and Vita Medical Australia purchased all of VML's assets (including its rights to intellectual property) and assumes VML's operating liabilities (including assuming the creditors, employee entitlements and taxation expenses of VML). Vita Medical Australia offered employment to all of VML's employees on terms at least as favourable as their former terms of employment and Vita Medical Australia assumed responsibility for salary and other employment conditions. Completion of this agreement took place on 19 May 2006.

Sale & Purchase of Assets between Vimed Biosciences Pty Ltd (VMB) and Allrad No 28 Pty Ltd
Under this agreement VMB sold and Allrad No 28 purchased all of VMB's assets (including its rights to intellectual property) and assumed the creditors, employee entitlements and taxation expenses of VMB. Completion of this agreement took place on 19 May 2006.

Share Sale Agreement between Vita Life, Vitamedica Europe and Vita Medical Canada
Vita Medical Canada is a company limited by shares incorporated in Canada, and engages in the sale and marketing of nuclear medical products and, in particular, the sale and marketing of products relating to the Technegas System. Under this agreement, Vita Life sold all the shares of Vita Medical Canada to Vitamedica Europe, and Vitamedica Europe purchased all of the issued capital in Vita Medical Canada. Completion of this agreement took place on 19 May 2006.

Share Sale Agreement between VMB, Vitamedica Europe and Allrad No 28 Pty Ltd
Allrad No 28 owns certain items of intellectual property which have been licensed or assigned to other entities for the purposes of commercializing those items of intellectual property. Under this agreement VMB sold all the shares of Allrad No 28 to Vitamedica Europe, and Vitamedica Europe purchased all of the issued capital in Allrad No 28. Completion of this agreement took place on 19 May 2006.

Share Sale Agreement between VMB, Vitamedica Europe and Allrad No 29 Pty Ltd
Allrad No 29 owns certain items of intellectual property which have been licensed or assigned to other entities for the purposes of commercializing those items of intellectual property. Under this agreement, VMB sold all the shares of Allrad No 29 to Vitamedica Europe, and Vitamedica Europe purchased all of the issued capital in Allrad No 29. Completion of this agreement took place on 19 May 2006.

Share Sale Agreement between Vita Life and VML
Under this agreement, VML sold, and Vita Life purchased 3,308,827 ordinary shares of Vita Medical Australia. Completion of this agreement took place on 19 May 2006.

Share Sale Agreement between Vita Life and Cyclopharm
Under this agreement, Vita Life sold, and Cyclopharm purchased all the ordinary shares (3,308,829 shares) of Vita Medical Australia. Completion of this agreement took place on 19 May 2006.

Share Sale Agreement between Vita Life, Cyclopharm and Vitamedica Europe
Under this agreement, Vita Life sold, and Cyclopharm bought, the issued capital of Vitamedica Europe. Completion of this agreement took place on 19 May 2006.

Completion of Share Sale Agreement between Vitamedica Europe, Cyclopharma Laboratoires SA (CLSA France) and Cyclomedica Europe (Cyclomedica)
Cyclomedica is a company limited by shares incorporated in Ireland, and engages in the sale and marketing of nuclear medical products and, in particular, the sale and marketing of products relating to the Technegas System. Under this agreement, CLSA France agreed to sell its 5,000 shares representing 50% of the issued capital of Cyclomedica to Vitamedica Europe for Euro 100,000 ($170,940 approximately). Completion of this agreement took place on 1 June 2006 and Cyclomedica became a wholly owned subsidiary of the Cyclopharm Group.

Borrowings
Cyclopharm established a debt financing facility for $6.0 million from the National Australia Bank Limited on 19 July 2006. The loan facility was provided on commercial terms and as at the date of this Prospectus the facility was drawn down $5.7 million.

Placement of Shares
Cyclopharm has issued and, by way of placement, allotted 5,651,000 new Shares at $0.30 per share during the period 31 August to 22 September 2006 to 11 institutional and professional investors.

Summary of Material Arrangements
The Directors consider the arrangements described below are matters which an investor and their professional adviser would reasonably regard as material, and expect to find in this Prospectus in order to make an informed assessment of the Offer it contains.

The first 3 agreements identified below were entered into with entities of which Dr Salin is a director and shareholder. He was not a director of Cyclopharm at the relevant execution dates.

Heads of Agreement between Cyclopharm and Cyclopharma Laboratoires SA (CLSA France)
Cyclopharm has agreed to enter into a licensing agreement for technology from CLSA France. This agreement includes the licensing of hardware, software and know-how to facilitate high volume dose production of PET radiopharmaceuticals by Cyclopharm for delivery to nuclear medicine departments in Australia. The agreement also entitles Cyclopharm to sell capital equipment supplied by CLSA France to provide a turnkey solution to establish PET radiopharmaceutical central pharmacies.

At the time of this Prospectus Cyclopharm has not fully documented the licences or concluded a distribution agreement to give effect to the licence nor commenced its PET radiopharmaceutical business. Cyclopharm and CLSA France have agreed to endeavour to have these agreements in place by 31 December 2006.

New Distribution Agreement
Cyclomedica has reappointed CLSA France as the exclusive distributor of the Technegas System in France for the period 1 April 2006 to 31 December 2008.

New Manufacturing & Regulatory Agreements
Cyclomedica has reappointed CLSA France as the exclusive manufacturer of Patient Administration Sets for the European Union. CLSA France has also been appointed as the European Union Authorised Representative for Cyclopharm's products distributed in the European Union as required by the Medical Device Directive 93/42/EEC.

Distribution of Shares Held by Vita Life in the Company
On 3 November 2006 the then largest shareholder of the Company, Vita Life, transferred 59,091,450 Shares to its shareholders pursuant to a rights issue.

FDA Trial
The Cyclopharm Group is in the process of preparing a "New Drug Application" seeking approval of the FDA for Technegas to be sold in the United States of America. To obtain the FDA approval Clinquest Inc, a specialist clinical research organisation from Boston, United States of America has been retained to manage the Phase III clinical trial. The trial program involves a 170 and an 8 patient study and, as at 3 November 2006, 117 patient studies were completed. Completion of the New Drug Application is dependent on the collection of patient study data and patient participation rates. Refer section 6, Business Description for details.

Manufacturing Arrangements
Vita Medical enters into, and has entered into, a large number of arrangements with manufacturers. The components of the Technegas system are sourced from approximately 80 sub-contractors/suppliers. Each supplier is easily replaceable so none of these agreements is itself a material contract for the purposes of this Prospectus. The Technegas generator and the

patient administration sets are assembled at Vita Medical Australia's Lucas Heights, Sydney premises where they are tested and shipped directly to customers and distributors. Payment terms to local suppliers are typically 30 to 45 days, whereas foreign suppliers accept payment on delivery.

ANU & Licence Agreements
Collaborative research with the Australian National University is currently underway with agreement to form a jointly owned company to investigate the commercialization of "Liquid Technegas" or what was formerly called Thrombotrace. Intellectual property owned by the ANU and Vita Medical Australia is to be licensed to the new company to allow this research to continue. Funding for this project is to be provided mainly by research grants sourced by the ANU.

Patent Summary
In October 2005, four original patents owned by Vita Medical Australia covering Europe, Australia, Japan and Canada for the method of manufacturing Technegas (metallic vapour) expired. Two further USA patents for the 'metallic vapour' expire in 2010 and 2011.

In July 2005 a provisional patent was lodged in Australia by Vita Medical Australia, titled, 'Improved Process for the Production of a Radioactive Aerosol'. The new application protects the method of production of Technegas. Patent applications have been submitted for Australia, USA, Japan, and Europe. An additional patent cooperative treaty application has also been lodged that will allow an extended period of 30 months for the lodgement of additional patents in countries where protection is identified as needed.

The date of lodgement for this new patent was 11 July 2005 and the Board fully believes this patent will protect the Technegas product until July 2025.

Other patents are held by Allrad No 28 and Allrad No 29 for the precipitator process that is used to make "liquid Technegas" or what was formerly known as Thrombotrace. Patents for this process are held for Europe, Japan, Canada, USA and Australia, with expiry in September 2015.

Product Registrations
Vita Medical Australia has complied with the legal requirements for registering products in the countries where this is required. The Technegas System is formally recognised in 2 ways for product registration.

Firstly, in the EU, the carbon crucible used in the Technegas generator to manufacture Technegas is controlled as a drug while the Technegas generator and its accessories are controlled as medical devices.

The drug registration of the crucible is by marketing authorisation under the mutual recognition process between countries. France is the administrator of the drug authorisation for the EU. The marketing authorisation for the crucible is held in the name of Vitamedica Europe.

For the device components, the Technegas generator and its accessories have been assessed by SGS UK Ltd. SGS UK Ltd is an EU notified body and granted the use of the CE 0120 mark. The CE 0120 mark shows compliance of the products with the EU medical device directive and enables the product to be sold within the EU.

Other Technegas System products such as nose-clips and crucible ovens also bear the CE mark, but being low level risk, Class 1 devices, the application of the mark is by self-assessment.

Secondly, there are a number of countries that require formal registration, including Australia, Canada, China, Japan and South Korea. The Technegas generator and its accessories are approved under the appropriate medical device regulations for those countries where required.

For those countries where medical and medicinal product regulations are not yet developed, the Technegas generator and its accessories are accepted by local recognition of the product's formal registration in the country of origin, Australia.

Distribution Agreements & Arrangements

Distribution of the Technegas product is conducted throughout many countries. Vita Medical Australia has formalised distribution agreements with partners in Europe, Asia/Pacific, Latin America and the Arab States. The term of these agreements has traditionally been around a one year or three year time period. At the conclusion of the initial term the distribution agreements have the option of a yearly renewal until terminated. At this point in time the distributor in some of the countries is currently operating without any formalised agreement due to their long association and satisfactory operation of the Technegas System over many years. These distributors all operate under the spirit of a common agreement in terms of performance and termination clauses. Vita Medical Australia currently has a process underway to formalise a standard written agreement with all distributors involved in the sales of the Technegas System. The Directors are of the view that most distribution arrangements are capable of substitution with new appointees.

Distribution arrangements cover the following countries:

Austria	China	Argentina	Uruguay
Greece	Belgium	Switzerland	Hong Kong
France	Spain	Italy	Netherlands
Portugal	Mexico	Chile	Malaysia
Paraguay	Brunei	Japan	Poland
Turkey	Denmark	Slovenia	Israel
United Kingdom	Sweden	Finland	Norway
Thailand	South Korea	Singapore	

Australia, Germany and Canada are managed by the Cyclopharm Group.

Shareholders

At the date of this Prospectus, Shareholders who have a relevant interest (as defined in the Corporations Act) of more than a 5% shareholding in the Company, assuming New Shares are allotted to third parties other than those shown in Figure 13.

Figure 13.
Substantial Shareholders of Cyclopharm

Shareholder	Shares	%
Barleigh Wells Limited	15,656,373	13.9
Normandy Finance & Investments Limited and associates	12,851,477	11.4
Chemical Trustee Limited	11,436,142	10.2
Stinoc Pty Ltd (a subsidiary of CVC Ltd)	10,844,911	9.7
Lloyds and Casanove Investment Partners Limited	8,038,295	7.2

Directors' Interests and Remuneration

Other than as set out below, no Director or proposed Director of the Company holds, or has held, at any time during the last 2 years, an interest in the formation or promotion of, or in any property acquired or to be acquired by, the Company or in the Offer and no amounts have been paid or agreed to be paid, or benefit given or agreed to be given, to any such person either as an inducement to become or qualification as a Director, or otherwise for services rendered by that person in connection with the promotion or formation of the Company or the Offer.

Remuneration by Cyclopharm

The Constitution contains the following provisions as to the remuneration of Directors:

• as remuneration for services, each non-executive Director is to be paid by the Company from the sum determined by the Company in general meeting, and that remuneration accrues daily. The remuneration may be divided amongst the non-executive Directors in such proportion as they agree from time to time agree and, in default of agreement, equally. Currently the remuneration paid to all non-executive Directors in any year may not exceed $100,000 for the year ended 31 December 2006;

• the non-executive Directors may be paid all travelling and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the business of the Company;

• the Company may remunerate any non-executive Director who is required to perform extra services or make any special exertions (whether travelling or living abroad or otherwise) on behalf of the Company by way of a fixed sum determined by the Directors. Any remuneration paid to a Director in this way may be either in addition to or in substitution for part of that Director's remuneration determined by the Constitution; and

• an executive Director is (subject to the terms of any agreement entered into in a particular case) entitled to receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors determine. No agreements of this nature other than those disclosed below, are in place as at the date of this Prospectus.

CVC Venture Managers Pty Ltd has been paid consulting fees and reimbursed for costs it incurred on behalf of Cyclopharm. These consulting fees were $27,250 for the period September to November 2006. Mr Sharman has resigned from his employment with CVC Venture Managers Pty Ltd to take up his position with Cyclopharm but will remain as a Director of CVC Venture Managers Pty Ltd. CVC Venture Managers Pty Ltd will pay fees to Mr Sharman from time to time for his services.

In addition CVC Venture Managers Pty Ltd is owed directors' fees of $4,950 by Cyclopharm for Mr Sharman's service for the period July to October 2006. As approved by shareholders, Vita Life has paid / is due to pay restructuring commission (refer "Other" below) of $566,824 to CVC Venture Managers Pty Ltd. From the consulting fees and commissions paid or accrued by Cyclopharm and Vita Life, CVC Venture Managers Pty Ltd has paid / intends to pay a total of $57,409 to Mr Sharman.

Mr Gould does not receive any part of the consulting fees paid by Cyclopharm to CVC Venture Managers Pty Ltd. Cyclopharm has accrued directors' fees in its accounts for the period July 2006 to October 2006 of $9,900 for the benefit of Mr Gould.

Mr Heaney joined the Board of directors of Cyclopharm on 20 November 2006 and has to date not been paid any directors' fees at the date of this Prospectus.

Dr Salin joined the Board of Cyclopharm on 1 September 2006. Cyclopharm has accrued directors' fees in its accounts for the period September 2006 to October 2006 of Euro $2,000 for the benefit of Dr Salin. Dr Salin does not receive any part of the regulatory or manufacturing fees paid by Cyclopharm to CLSA France.

Mr Townsing does not receive any part of the consulting fees paid by Cyclopharm to CVC Venture Managers Pty Ltd. Cyclopharm has accrued directors' fees in its accounts for the period July 2006 to October 2006 of $4,950 for the benefit of Mr Townsing. From the commission of $38,144 paid to CVC Venture Managers Pty Ltd in respect of the allotment of Shares (refer "Other" below) paid by Cyclopharm, CVC Venture Managers Pty Ltd paid $33,906 to a company related to Mr Townsing and retained $12,242 for its own benefit.

From restructuring commission (refer "Other" below) of $566,824 paid to CVC Venture Managers Pty Ltd by Vita Life, CVC Venture Managers Pty Ltd paid $470,545 to a company related to Mr Townsing and retained $96,926 for its own benefit.

Other

Cyclopharm paid CVC Venture Managers Pty Ltd a commission of $38,144 in respect of the allotment of Shares by the Company to investors. Refer section 12, Additional Information - Summary of Material Arrangements for details.

Vita Life's shareholders in general meeting in April 2006 approved the payment of success based fees ("restructuring commission") to CVC Venture Managers Pty Ltd for undertaking Vita Life's corporate restructuring and formation of the Cyclopharm Group (Cyclopharm was then a wholly owned subsidiary of Vita Life). For these services, CVC Venture Managers Pty Ltd was paid restructuring commission of $566,824 by Vita Life. As part of these arrangements Cyclopharm reimbursed Vita Life 50% of the commission.

Permitted Interests of Directors

Subject to the Corporations Act and the Constitution of the Company, a Director and any firm, body or entity in which a Director has a direct or indirect interest may in any capacity:

- enter into any contract or arrangement with the Company;
- be appointed to and hold any office or place of profit under the Company other than that of auditor for the Company; and
- act in a professional capacity other than as auditor for the Company,

and may receive and retain for his or her own benefit any remuneration, profits or benefits as if he or she were not a Director.

The Directors have the following beneficial or non beneficial interests in, or entitlements to receive the following securities in Cyclopharm as shown in Figure 14.

Figure 14.
Directors Interest

Director	Related Company	No. of Cyclopharm Shares
V R Gould	Non beneficial interests	12,855,033
D. J Heaney	Non beneficial interest	100,000
B C Salin	Non beneficial interest	233,189
J S Sharman	Beneficial interest Non beneficial interest	1,477,255 243,726
H G Townsing	Non beneficial interests	13,602,893
Total		28,512,096

Other Public Company Directorships

V R Gould	Vita Life Sciences Limited, Aust-Wide Group Ltd and CVC Ltd
D J Heaney	Colorpak Limited and Mariner Financial Limited
J S Sharman	Vita Life Sciences Limited
H G Townsing	Vita Life Sciences Limited and Aust-Wide Group Ltd

Other Employment Arrangements

V R Gould	Executive Chairman of CVC Ltd
D J Heaney	Executive Director Thompson Partners Pty Ltd
BC Salin	Chairman & President of Cyclopharma Laboratoires SA
J S Sharman	Non Executive Director Vita Life Sciences Ltd and Director CVC Venture Managers Pty Ltd
H G Townsing	Executive Director Normandy Finance & Investments Asia Pty Ltd and Investment Director CVC Venture Managers Pty Ltd

Summary of Offer Costs

The Offer Costs associated with the Offer are estimated as follows:

	Cyclopharm	Vendor	Total
Lead Manager's corporate advisory fee and commissions	357,500	192,500	550,000
Professional fees (financial, legal & accounting)	81,250	43,750	125,000
Listing fees	17,160	9,240	26,400
Printing & distribution	28,275	15,225	43,500
Sundry expenses	24,375	13,125	37,500
Total	$508,560	$273,840	$782,400

Cyclopharm and the Vendor will bear the Offer Costs including stamp duty in the proportion with the value of Shares sold by them respectively. That is in the ratio 65 : 35.

Experts' Interests

Except for the fees and interests disclosed in this Prospectus, none of the experts and professional advisors hold or has held any interest in the Offer of shares in the Company.

In the last 2 years, no payment has been made (or agreed to be made) or benefit given (or agreed to be given) in relation to this Offer, to such person or firm save as disclosed below.

Specifically:

• Mr Matthew Pringle of Pitcher Partners Corporate Pty Ltd has acted as independent accountant to the Offer and has prepared the Independent Accountant's Report contained in this Prospectus. The Company has paid or agreed to pay $35,000 for these services up to the date of this Prospectus. Further amounts may be paid to Pitcher Partners Corporate Pty Ltd in accordance with its usual time based charge-out rates.

• Greg Ralph of Gould Ralph & Company has acted as auditor to the Company and the Vendor. The Company has paid or agreed to pay $19,500 for these services up to the date of the Prospectus. In addition, an associated entity, Gould Ralph Pty Ltd has provided share registry, taxation and other consulting services to the Company and the Vendor during the previous 2 years.

• Piper Alderman have acted as solicitors to the Company in relation to the Offer, participated in the due diligence in relation to legal matters, and prepared a due diligence report. The Company has agreed to pay Piper Alderman $50,000 for these services up to the date of the Prospectus. Further amounts may be paid to Piper Alderman in accordance with its usual time based charge-out rates.

• The Company and the Vendor have agreed to pay Shaw Corporate Finance Pty Ltd an advisory fee of $30,000 (to be rebated against the management fee), a management fee of 1% of total funds raised in the Offer and commission of 4% of total funds raised in the Offer, for these services.

• Gould Ralph Pty Ltd has been appointed to act as share registry to the Company. The Company has not paid Gould Ralph Pty Ltd any fees up to the date of this Prospectus. Further amounts may be paid to Gould Ralph Pty Ltd in accordance with the fee structure agreed with the Company.

The various fees outlined above are exclusive of disbursements and GST.

Consents & Disclaimers of Responsibility

The following persons have given, and before the date of this Prospectus have not withdrawn, their consent to the issue of this Prospectus including the statements made by them, or the statements said in the Prospectus to be based on statements made by them, being included in this Prospectus in the form and context in which they are included and/or being named in this Prospectus in the form and context in which they are named.

- Independent Accountant - Pitcher Partners Corporate Pty Ltd
- Auditor - Gould Ralph & Company
- Solicitors to the Company in relation to the Offer - Piper Alderman
- Lead Manager - Shaw Corporate Finance Pty Ltd
- Share Registry – Gould Ralph Pty Ltd

Each of these parties advise Shareholders and investors that:

- it has not authorised nor caused the issue of this Prospectus;
- its involvement in the preparation of this Prospectus is limited to the preparation of those parts referred to next to its name which are set out in Experts' Interests above and takes no responsibility for this Prospectus;
- save as stated above, does not make, nor purport to make, any statement in this Prospectus;
- to the extent permitted by the law, it expressly disclaims and takes no responsibility for any omissions from this Prospectus;
- the giving of its consent to the issue of this Prospectus and/or being named in it should not be taken as an endorsement of the Company nor a recommendation of any participation in the Offer by Shareholders or investors; and
- it gives no assurance or guarantee whatsoever in respect of the performance or returns of the Company.

Documents Available for Inspection

Copies of the following documents are available for inspection free of charge at the head office of the Company between 9:00 am and 5:00 pm Monday to Friday during the Offer Period:

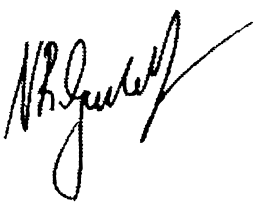
- the consents to the issue of this Prospectus;
- the Constitution of the Company;
- the original of the Independent Accountant's Report;
- the Interim Financial Report of the Company at 30 June 2006; and
- the Financial Report of Vita Medical Limited at 31 December 2005.

13 Directors' Statement

Authorisation of this Prospectus

The Directors report that, in their opinion, since the date of the financial statements in the Independent Accountant's Report, there have not been any circumstances that have arisen or that have materially affected, or will materially affect, the assets and liabilities, financial position, profits or losses, or prospects of the Company, other than as disclosed in this Prospectus or because they are matters that may reasonably be expected to be known to Shareholders or investors, and their respective professional advisers.

This Prospectus is authorised by each Director of Cyclopharm, and each Director of Vita Life, and each of those respective directors has consented to its lodgement with ASIC and its issue.



V R Gould*

J S Sharman*

*Signing in his capacity as a director of Cyclopharm Limited and as a Director of the Vendor.

14 Glossary of Terms

Term	Meaning
Applicant/s	Shareholders and / or investors who apply for Shares pursuant to the Offer, complete the Application Form and lodge it.
Application	A valid application to acquire / subscribe for Shares under this Prospectus.
Application Form	The Application Form attached to this Prospectus.
$ or A$	Australian dollars, being the lawful currency of Australia. All amounts are in Australian dollars unless otherwise stated.
Allrad No 28	Allrad No 28 Pty Ltd, ACN 060 648 802, a wholly owned subsidiary of Cyclopharm.
Allrad No 29	Allrad No 29 Pty Ltd ACN 060 648 820, a wholly owned subsidiary of Cyclopharm.
ASIC	Australian Securities and Investments Commission.
Associates	Persons or entities each of whom is an "associate" as that term is defined in the Corporations Act for the purposes of Chapter 6 of that Act.
ASX	Australian Stock Exchange Limited ABN 98 008 624 691.
Board	The directors of Cyclopharm.
Business Day	Any day other than a Saturday, Sunday, bank holiday or public holiday in Melbourne.
CHESS	Clearing House Electronic Sub-register System.
CLSA France	Cyclopharma Laboratoires SA, Biopôle Clermont-Limagne, 63360 Saint-Beauzire, France.
Closing Date	5:00 pm Melbourne time on 18 December 2006 or such other date as determined by the Company, being the date by which Applications must have been received.
Constitution	The constitution of the Company as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth) as amended and includes any regulations made under that Act.
Cyclomedica	Cyclomedica Europe Ltd (Rec 353 656), a wholly owned subsidiary of Vitamedica Europe.
Cyclomedica Germany	Cyclomedica Germany GmbH (Company No DE8144 33262) AG, a wholly owned subsidiary of Vitamedica Europe.
Cyclopharm Group	Cyclopharm, Vita Medical Australia, Vitamedica Europe, Vita Medical Canada, Cyclomedica Germany, Cyclomedica, Allrad No 28 and Allrad No 29.
Cyclopharm or the Company	Cyclopharm Limited ACN 116 931 250 with its registered office at Building 75, Business and Technology Park, New Illawarra Road, Lucas Heights, NSW 2234.
Directors	Currently Messrs Gould, Heaney, Salin, Sharman and Townsing.
DTPA	Technetium complex solution made into an aerosol for inhalation by patients.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Employees	Full-time and permanent part-time employees of Cyclopharm.
EPS	Earnings per share.
EU	European Union.
Exposure Period	Has the meaning given on page 1.
FDA	Federal Drug Administration of the US Department of Health and Human Services of the United States of America.
Lead Manager	Shaw.
Listing Rules	The official listing rules of the ASX.
Molecular Imaging	As defined in section 7.
New Shares	The maximum 23,394,949 Shares to be issued and allotted by the Company under to this Prospectus.
NPAT	Net profit after tax.

Term	Meaning
Offer	The offer for sale of New Shares by the Company, and the maximum 13,271,719 existing Shares offered for sale by the Vendor, respectively under this Prospectus.
Offer Costs	Those fees and costs described in section 12, Additional Information.
Offer Price	The price at which New Shares or existing Shares are sold / transferred under this Prospectus, namely, $0.30 per Share.
Offer Period	The period during which the Offer is open and ending on the Closing Date.
PET	Positron Emission Tomography is an imaging methodology that reads where and how much a radioactive drug (PET radiopharmaceutical) locates itself after injection into the body. This is visualised with an image similar to an "x-ray" but with much better resolution. PET imaging can only operate using PET radiopharmaceuticals, indicates the functionality of tissues and can differentiate between healthy and diseased states. Tomography is the technique of using a rotating source of "x-rays" to produce an image of structures.
Phase III study	Final clinical investigative stage and determines the safety and efficacy (does it work) of a drug. It must be completed prior to submission for a drug's registration.
Proforma	In relation to the balance sheet of the Company, means the consolidated statement of financial position of the Cyclopharm Group as at 31 December 2006 and 2007.
Prospectus	This prospectus and any supplemental or replacement prospectus issued by the Company and Vita Life.
Senior Debt	Borrowings from the National Australia Bank of $6,000,000 with a first ranking final and floating registered charge over Cyclopharm Group and their respective assets.
Shareholder/s	The registered holders of Shares in Cyclopharm as at 5.00pm Melbourne time on 27 November 2006.
Shares	Fully paid ordinary shares in the capital of Cyclopharm.
Shaw	Shaw Corporate Finance Pty Limited ABN 25 101 193 971. Shaw does not directly hold an Australian Financial Services Licence. Shaw is a wholly owned subsidiary and authorised representative of Shaw Stockbroking Limited (ABN: 24 003 221 583) being the holder of Australian Financial Services Licence Number 236048.
Subsidiaries	The companies comprising the Cyclopharm Group.
Technegas System	The products and processes as described under the heading "Technegas – Device and Drug" in section 6, Business Description including the Technegas generator (model manufactured prior to 2006) or the TechnegasPlus generator (model manufactured from 2006) collectively or individually referred to herein as the Technegas generator.
Thales	Thales Communication SA of 160 boulevard de Valmy, 92704 Colombes, France.
Vendor or Vita Life	Vita Life Sciences Limited ACN 003 190 421 with its registered office at Building 75, Business & Technology Park, New Illawarra Road, Lucas Heights, NSW 2234.
Vita Medical Australia	Vita Medical Australia Pty Ltd, ACN 003 071 556, a wholly owned subsidiary of Cyclopharm.
Vita Medical Canada	Vita Medical Canada Ltd (Company No 202 7079), a wholly owned subsidiary of Cyclopharm.
Vitamedica Europe	Vitamedica Europe Ltd (Rec 332 779), a wholly owned subsidiary of Cyclopharm.
US	United States of America.

PIN CHEQUE(S) HERE

Application Form

Cyclopharm Limited

ABN 74 116 931 250

Fill out this Application form if you wish to apply for Shares in Cyclopharm Limited

- Please read the Prospectus dated 28 November 2006.
- Follow the instructions to complete this Application form (see reverse).
- Print clearly in capital letters using black or blue pen.

Before completing this form, applicants should carefully read the Supplementary Prospectus dated 22 December 2006 accompanying the Prospectus dated 28 November 2006 to which this form is attached

A **Number of shares you are applying for**

x $0.30 per share =

B **Total amount payable**

$

Minimum of 7,000 ($2,100) shares to be applied for, and thereafter in multiples of 100 shares ($30).

C **Write the name(s) you wish to register the shares in *(see reverse for instructions)***

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D **Write your postal address here**

Number / Street

Suburb/Town

State

Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Cheque payment details**

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A$

H **Contact Name**

Contact telephone number (daytime/work/mobile)

I **Email address**

By submitting this Application form, I/We declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application form and declare that all details and statements made by me/us are compete and accurate. I/We agree to be bound by the constitution of Cyclopharm Limited (the Company). I/We was/were given the Prospectus together with the application form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the Application Form using BLOCK LETTERS.
These instructions are cross-referenced to each section of the Application Form.

Instructions

A. If applying for Shares insert the ***number*** of Shares for which you wish to subscribe at Item **A** (not less than 7,000 and then in multiples of 100). Multiply by AUD **$0.30** to calculate the total for Shares and enter the ***$amount*** at B.

C. Write your ***full name***. Initials are not acceptable for first names.

D. Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
NB: your registration details provided must match your CHESS account exactly.

F. Enter your Australian ***tax file number*** ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form but tax may be deducted if you do not.

G. Complete ***cheque details*** as requested. Make your cheque payable to **CYCLOPHARM LIMITED – SHARE OFFER** in Australian currency, cross it and mark it **"Not negotiable"**. Cheques must be made in Australian currency, and cheques must be drawn on an Australian branch of a bank in Australia.

H. Enter your contact details so we may contact you regarding your Application Form or application monies.

I. Enter your email address so we may contact you regarding your Application Form or application monies or other correspondence.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Late John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	Mr John Smith & Mrs Mary Smith <Smith Family Super Fund A/C>	John & Mary Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

Lead Manager

Shaw Corporate Finance Pty Ltd
Cyclopharm Share Offer
Level 20
90 Collins Street
Melbourne VIC 3000
Attention: Ms Grace Belsito

OR

Cyclopharm Limited
Suite 630, Level 6
1 Queens Rd
Melbourne VIC 3004

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact the Lead Manager on Tel (03) 9268 1000 or the Company on (03) 9867 2811.

Privacy Statement:

Gould Ralph Pty Ltd advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the Shares you hold) to be included in the public register of the entity in which you hold Shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold Shares. You can obtain access to your personal information by contacting us at the address or telephone number shown in the Corporate Directory.

PIN CHEQUE(S) HERE

Application Form

Cyclopharm Limited

ABN 74 116 931 250

Before completing this form, applicants should carefully read the Supplementary Prospectus dated 22 December 2006 accompanying the Prospectus dated 28 November 2006 to which this form is attached

Fill out this Application form if you wish to apply for Shares in Cyclopharm Limited

- Please read the Prospectus dated 28 November 2006.
- Follow the instructions to complete this Application form (see reverse).
- Print clearly in capital letters using black or blue pen.

A **Number of shares you are applying for**

x $0.30 per share =

B **Total amount payable**

$

Minimum of 7,000 ($2,100) shares to be applied for, and thereafter in multiples of 100 shares ($30).

C **Write the name(s) you wish to register the shares in *(see reverse for instructions)***

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D **Write your postal address here**

Number / Street

Suburb/Town | State | Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Cheque payment details**

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A$

H **Contact Name**

Contact telephone number (daytime/work/mobile)

I **Email address**

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Corporate Directory

Cyclopharm Limited

Directors and Board
Mr V R Gould - Non executive Chairman
Mr J S Sharman - Managing Director
Mr D J Heaney - Non executive Director
Dr B C Salin - Non executive Director
Mr H G Townsing - Non executive Director

Company Secretary
Mr William Richardson

Head Office
Suite 630, Level 6
1 Queens Rd
Melbourne VIC 3004
Telephone: (03) 9867 2811
Facsimile: (03) 9820 5957

Email: enquiries@cyclopharm.com.au
Web Site: www.cyclopharm.com.au

Lead Manager:
Shaw Corporate Finance Pty Limited
Level 20, 90 Collins Street
Melbourne VIC 3000
Telephone: (03) 9268 1000
Facsimile: (03) 9650 6649

Email: egoli@shawstock.com.au
Web Site: www.egoli.com.au

Independent Accountant
Pitcher Partners Corporate Pty Ltd
Level 19, 15 William Street
Melbourne VIC 3000

Auditor to the Company
Gould Ralph & Company
Level 42, AAP Centre
259 George Street
Sydney NSW 2000

Solicitors to the Company
Piper Alderman
Level 24, 385 Bourke Street
Melbourne VIC 3000

Share Registry
Gould Ralph Pty Ltd
Level 42, AAP Centre
259 George Street
Sydney NSW 2000
Telephone (02) 9032 3000
Facsimile (02) 9032 3088

Cyclopharm Limited
Prospectus