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Company Update

It is with great pleasure that I provide Shareholders with an update on the company's progress.

Molecular Imaging

Our plans for our first PET nuclear pharmacy at Macquarie University Private Hospital have progressed well since the commencement of the hospital's construction. At present, the cyclotron and production tools have been ordered, the bunker to house the cyclotron has been built and fit-out will be commencing soon. By years end we expect to be operational with meaningful revenues in 2010.

Technegas

I am pleased with the recognition we continue to receive throughout the world as the diagnostic ventilation agent of choice. Recent editorials in the United States Journal of Nuclear Medicine, while differing in perspective, agree on the serious radiation concerns from Computed Tomographic Pulmonary Angiography (CTPA) and as an alternative, the superior quality Technegas provides the patients and the clinicians we service.

Europe is currently our biggest single market for Technegas - approximately 70% of total sales were made to European customers in 2008. The support we receive there and elsewhere around the world remains strong. The advancements in nuclear medicine imaging techniques and improvements in imaging software are leading more and more clinicians back to nuclear medicine. Critical to these advancements is the superior clinical information Technegas provides.

At present, we are working toward expanding our diagnostic reach through the registration of Technegas in both Russia and the United States. In December 2008, we submitted a New Drug Application (NDA) to the United States Food and Drug Administration (FDA). Based on the constructive feedback we received from the FDA, we believe that the path toward USA approval for Technegas is better defined. We will be working with the FDA in the coming months on our resubmission. Once filed, we expect that the approval process will be less than 12 months. I look forward to keeping Shareholders updated as this important element of our growth strategy develops.

Not only is our path toward approval in the USA better understood, but the timing and the interest for Technegas could not be better. This past September the United States Surgeon General published a call to action for health care professionals and industry participants to combat Deep Vein Thrombosis and Pulmonary Embolism (PE). The authors of the Prospective Investigation of Pulmonary Embolism Disease

(PIOPED) are in the process of answering that call with an updated version of the study, PIOPED 4. The central theme for PIOPED 4 is to confirm the superior results of SPECT VQ that have been achieved outside of the United States.

As we work toward FDA approval, our progress has caught the attention of the PIOPED authors. As a result they have contacted us and requested our participation in the study as the preferred diagnostic ventilation agent. Providing funding is received by the United States National Institute of Health, Technegas will feature in the study that defines the clinical practice standard for diagnosing PE in the United States for years to come.

Legal action

In the 2008 Annual Report we highlighted that the company had served a demand for arbitration on Clinquest Inc. Clinquest Inc were engaged from 2000 to 2007 to obtain approval from the FDA to sell Technegas in the United States. We advise the amount of the claim is US\$2.0m plus interest.

For our customers, I thank you for your continued support. For our shareholders, I thank you for your belief in the work we do and the company we are building together.

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Background

Cyclopharm Limited

Cyclopharm is a radiopharmaceutical company servicing the medical global medical community. The Company's mission is to enable nuclear medicine and other clinicians with the ability to improve patient care outcomes.

Cyclopharm achieves this objective through the provision of radiopharmaceutical products, Technegas (for lung imaging) and Molecular Imaging / PET radiopharmaceuticals (used in cancer, brain and cardiac imaging). Our customers are nuclear medicine departments located within hospitals and clinics.

Macquarie University Private Hospital and the Macquarie University School of Advanced Medicine

Macquarie University Private Hospital is an \$80 million joint venture development between Macquarie University and Dalcross Private Hospital. The development will establish a major medical precinct within the Macquarie University Research Park to complement the Allied Health teaching services offered by Macquarie University.

The Macquarie University Private Hospital will be a state of the art facility that will also deliver health education and research on site.

Positron Emission Tomography (PET)

PET radiopharmaceuticals target specific tissues / organs, concentrate there, and the attached radioisotope emits radiation, which is then detected by a PET or PET / CT gamma (collectively PET camera). These imaging modalities help 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.

Technegas

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 2,500°C. The resultant gaseous substance is inhaled by the patient (lung ventilation) 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). Technegas studies are performed in over 55 countries throughout the world with over 2.1 million patient studies completed to date.