



16 September 2008

Dear Shareholder

Shareholder Update for the half year ended 30 June 2008

I am pleased to report that Cyclopharm Limited (Cyclopharm) is progressing towards achieving its objectives since listing on the Australian Securities Exchange in early 2007. Those objectives are:

- i. Technegas which is sold in 53 countries continues to assert its relevance as a leading lung diagnostic imaging drug. Importantly, we have moved a step closer to approval for the sale of Technegas in the US – the world's largest untapped market for Technegas; and
- ii. Producing the drug FDG a PET (Positron Emission Tomography) imaging agent which is used for the early detection of cancer. Construction of the facilities for the production of these drugs in Melbourne and Sydney has commenced and commercial production in Sydney is expected in 2009.

Key highlights during the half year ended 30 June 2008 include:

TECHNEGAS

Technegas continues to be a preferred method for diagnosing long blood clots, a life threatening condition. The installed Technegas generator base produces reliable sales, profits and cashflows. We have patents in 36 countries, over 1,110 Technegas generators have been sold globally and over 2 million patients have benefited from our technology.

One step closer to USA approval

Our submission to the USA regulatory authorities to sell Technegas is 85% complete and expected to be lodged in October 2008. The estimated annual incidence of Pulmonary Embolism (lung blood clots) in Australia and the USA is 42,000 and 600,000 persons respectively. That is Australia is equivalent to 7% of the US market. Last year there were approximately 35,000 Technegas scans conducted in Australia. If Technegas could achieve a 25-30% US market share the Company's global revenues will double.

MOLECULAR IMAGING

PET is clinically proven to better identify the location and extent of certain active cancer cells in the body. Consequently, clinicians can refine the decided course of treatment by either reducing the area of resection or the course of therapy. We have commenced development of our two strategic sites in Sydney and Melbourne – the foundations of our PET Nuclear Pharmacy infrastructure footprint.

Australian government recognises benefits of PET

In July 2008, the Australian government doubled the approved PET indications demonstrating the undeniable benefits PET has to offer cancer patients.

Cyclopharm's PET Nuclear Pharmacies

Project development for the Melbourne and Sydney sites are depicted below in relation to the critical steps required before PET drugs can be produced and sold.



Melbourne - Lloyd Street, Kensington

- ✓ Land purchased
- Design under development
- Construction to commence early 2009

Artist's impression



Sydney - Macquarie University Private Hospital

- ✓ Design phase completed
- ✓ Bunker construction completed
- ✓ Cyclotron selected
- Fit-out commencing Q1 2009
- Facility Certification scheduled Q3 2009

Cyclopharm's facility is located within the Macquarie University Private Hospital

Financial Results

We recorded a profit before tax and finance costs of \$482,285 (2007: 149,367) and net profit after tax of \$169,651 (2007: Net loss after tax was \$42,290). The improvement in profitability can be attributed to higher sales margins and a reduction in costs on the prior comparative period in 2007. Gross margins improved due to a shift in the sales mix (more Patient Administration Sets and fewer Technegas generators).

Outlook

The US regulatory approval process for Technegas is expected to take around 1 year from October 2009. As the US market is very large we envisage significant financial benefits if approval is obtained. The Company will continue to focus on developing its Molecular Imaging business with FDG to be produced in the latter part of 2009.

We expect stronger sales revenue in the second half of 2008. We forecast full year profit to exceed that of 2007 due to higher margins on sales as a result of the mix products sold and the absence of certain non-recurring costs incurred in 2007. Whilst profit is expected to be higher, sales revenue is expected to be lower. Again this is a result of the mix of products sold.

Please do not hesitate to contact us if you have any queries. Please refer to our website: www.cyclopharm.com.au for more information on the company.

Yours faithfully
Cyclopharm Limited

James McBrayer
Managing Director

Cyclopharm Limited
Half Year Report 2008 Extract

cyclopharm

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

Consolidated Income Statement
for the half year ended 30 June 2008

	Notes	Consolidated	
		30 June 2008	30 June 2007
		\$	\$
CONTINUING OPERATIONS			
Sales revenue		4,351,514	4,790,891
Finance revenue		20,000	79,385
Total Revenue		4,371,514	4,870,276
Cost of materials and manufacturing		(883,388)	(1,382,632)
Employee benefits expense		(1,566,636)	(1,540,899)
Advertising and promotion expense		(50,354)	(67,835)
Depreciation and amortisation expense		(151,856)	(137,034)
Freight and duty expense		(216,358)	(211,926)
Research and development expense		(8,949)	(13,286)
Administration expense		(952,427)	(1,241,319)
Other expenses		(59,261)	(125,978)
Profit before tax and finance costs		482,285	149,367
Finance costs		(133,375)	(119,221)
Profit before income tax		348,910	30,146
Income tax expense		(179,259)	(72,436)
Net profit / (loss) attributable to members of the parent		169,651	(42,290)
Earnings per share (cents per share)	4	cents	cents
-basic earnings per share for continuing operations		0.12	(0.03)
-basic earnings per share		0.12	(0.03)
-diluted earnings per share		0.12	(0.03)

The Income Statement is to be read in conjunction with the Half Year Report which is available on the Company's website www.cyclopharm.com.au.

Consolidated Balance Sheet
as at 30 June 2008

	Notes	Consolidated	
		30 June 2008	31 December 2007
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		1,471,748	1,204,543
Trade and other receivables		2,719,722	3,978,850
Inventories		2,636,776	2,348,074
Other assets - prepayments		1,620,473	232,262
Total Current Assets		8,448,719	7,763,729
Non-current Assets			
Trade and other receivables		-	3,422
Property, plant and equipment		1,540,940	973,402
Intangible assets		2,265,585	1,909,545
Deferred tax assets		354,040	327,451
Total Non-current Assets		4,160,565	3,213,820
Total Assets		12,609,284	10,977,549
Liabilities			
Current Liabilities			
Trade and other payables		1,301,120	1,252,937
Provisions		401,581	331,981
Tax liabilities		77,308	-
Total Current Liabilities		1,780,009	1,584,918
Non-current Liabilities			
Financial liabilities	5	2,733,250	1,511,500
Provisions		37,028	23,645
Deferred tax liabilities		640,941	515,342
Total Non-current Liabilities		3,411,219	2,050,487
Total Liabilities		5,191,228	3,635,405
Net Assets		7,418,056	7,342,144
Equity			
Contributed equity		7,806,726	7,841,223
Employee equity benefits reserve		123,644	73,666
Foreign currency translation reserve		(440,474)	(331,254)
Accumulated losses		(71,840)	(241,491)
Total Equity		7,418,056	7,342,144

The Balance Sheet is to be read in conjunction with the Half Year Report which is available on the Company's website www.cyclopharm.com.au.



Consolidated Cash Flow Statement for the half year ended 30 June 2008

	Notes	Consolidated	
		30 June 2008	30 June 2007
		\$	\$
Operating activities			
Receipts from customers		5,532,280	5,748,483
Payments to suppliers and employees		(3,879,117)	(5,260,962)
Interest received		20,000	64,157
Borrowing costs paid		(133,375)	(119,221)
Income tax paid		(2,941)	(193,880)
Net cash flows from operating activities		1,536,847	238,577
Investing activities			
Purchase of property, plant and equipment		(2,010,884)	(132,863)
Payments for deferred expenditure		(374,710)	(289,110)
Net cash flows used in investing activities		(2,385,594)	(421,973)
Financing activities			
Proceeds from issue of shares		-	7,018,484
Costs of raising capital		-	(330,006)
Proceeds from drawdown / (repayment) of borrowings		1,221,750	(4,350,000)
Repayment of loan from related entity		-	(1,708,730)
Loans to external entities		3,422	(591,930)
Net cash flows from financing activities		1,225,172	37,818
Net increase / (decrease) in cash and cash equivalents		376,425	(145,578)
Cash and cash equivalents			
at beginning of the period		1,204,543	1,403,328
net foreign exchange differences from translation		(109,220)	(29,143)
at end of the period		1,471,748	1,228,607

The Cash Flow Statement is to be read in conjunction with Half Year Report which is available on the Company's website www.cyclopharm.com.au.