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IsoRay Medical Announces New Russian Agreement

Russian facility supports IsoRay's focus on improving gross margins, increasing revenue and opening new markets

Richland, WA (Jan 23, 2008) … IsoRay (AMEX:ISR), a manufacturer and distributor of its proprietary therapeutic, Proxcelan Cesium-131 brachytherapy seeds, for the treatment of prostate cancer and other solid tumors, announced today that it has become a 30% owner in a Russian limited liability company, UralDial, LLC, a new medical isotope manufacturing and distribution company based in Yekaterinburg. IsoRay Chairman and CEO Roger Girard said the creation of the new entity should significantly reduce manufacturing costs,--in the U.S. as well as Russia--which should improve gross margins, assure a steady exclusive supply of isotopes from multiple Russian sources, and open new international markets for the company's Proxcelan Cesium-131brachytherapy seeds.

Girard said, "This is an important and exciting time as we continue to hit strategic milestones at IsoRay, and I believe that this opportunity, along with other initiatives that are currently under way, will allow IsoRay to become a much larger player in the cancer therapy field, both domestically and internationally. This is truly a pivotal turning point for the company."

Under the terms of the UralDial Charter, IsoRay, Inc will own a 30% share in the new company, through its subsidiary, IsoRay International LLC. UNONA Holdings, a private holding company that drives medical initiatives in concert with the Russian government, will have a 40% ownership and 30% ownership will be held by Russian engineers and scientists involved in the new operations. All capital investments for the new manufacturing plant and the development of centers of excellence is expected to be provided by UNONA Holdings using funds from the British Petroleum/RENO Joint Venture and the Russian Central Railroad in support of the Russian government's new men's health initiatives.

Girard continued, "We have been laying the groundwork for the formation of this new operation for the past three years. It supports our strategy in a number of ways, including using enriched barium, lowering manufacturing costs, and increasing through-put efficiency. It essentially marks the opening of entirely new markets for seed brachytherapy. The Russian government understands the benefits of brachytherapy using Cesium-131 as an effective treatment option for prostate cancer, and understands the great potential of this new venture."

Cesium-131 is the newest isotope used in brachytherapy seed treatment for prostate cancer, and the first breakthrough in more than 20 years. It is a powerful, aggressive new medical isotope offering patients faster dose delivery, better quality of life and improved tumor penetration.

Alexander Petrov, President of UNONA Holdings said, "The new Russian manufacturing facility, which will be similar to IsoRay's recently opened new facility in Richland, is expected to take nine months to complete. Its planned design will have all the support functions of the Richland plant including assay and pre-loading departments." Initial seed manufacturing capacity at the Russian facility is expected to support treating up to 2,500 patients per month with Cesium-131 (Cs-131) brachytherapy seeds and an additional 2,500 with Iodine-125 (I-125) seeds. Other medical isotopes may be manufactured at the plant in the future. Petrov said that, "Until the new plant is completed he expects that patients will be treated with shipments from IsoRay's Richland facility as soon as all of the required certifications are met to import Cesium-131 seeds."

"Cancer has been on the increase lately, not only in Russia but worldwide," said Petrov. "According to statistical data, prostate adenoma in Russia alone occurs in every fourth male at the age of 50, every second male at the age of 60 and over, and in at least 90% of cases in males at the age of 70 and over. Prostate cancer has become the second cause of mortality in males from oncological diseases in Russia. To resolve this issue, it is necessary to take immediate measures aimed at developing and applying new therapy methods."

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"Understanding the scale and complexity of this issue, UNONA Holding, with the support of the Sverdlovskaya Region's governor, has made the decision to establish the exclusive manufacturing and distribution of Cesium 131 seeds in partnership with IsoRay Medical, which will make it a world leader in the aforesaid areas."

"From my perspective, the major goal of the project is to decrease mortality, disability, and loss of an ability to work in males by developing a comprehensive mechanism that would provide an opportunity to diagnose and successfully treat prostate cancer."

"I believe that it is critical to implement this project and I am ready to make available all the necessary resources of UNONA Holding, as well as those of outside organizations, in order to achieve the goals set."

Petrov concluded, "Taking into account the favorable geopolitical location of the city of Yekaterinburg, the location of the only manufacturer of the raw material and the availability of highly qualified specialists, I believe that it is justifiable to establish the manufacturing of Cesium 131 based seeds in the Sverdlovskaya region. This site has great potential, including capturing markets in the Commonwealth of Independent States, Asia and other countries in the future."

The Russian Deputy Minister of Health and one of Russia's leading urologists Igor L. Lenontiev M.D., Ph.D., said, "Initially patients will be treated from Yekaterinburg and the surrounding Sverdlovskaya region through centers of excellence developed by UralDial, LLC and the Russian Health Ministry. We plan to expand from Yekaterinburg to market to all of Russia along with its neighboring countries."

Dr. Lenontiev further stated, "It is estimated that two to five million men in Russia may have prostate cancer currently according to the government's report of recent autopsies. Up to this point there has been no regular testing or screening for prostate cancer, but now as part of our new men's health initiative all men over 50 years-old must be screened to receive government health benefits."

Cesium-131 is marketed by IsoRay under the brand name Proxcelan™ in the U.S. Proxcelan has Food & Drug Administration 510(k) clearance for treating prostate cancer and other malignancies including ocular melanoma using the eye plaque technique.

About IsoRay

IsoRay, Inc., through its subsidiary, IsoRay Medical, Inc., is the sole producer of the Proxcelan™ Cesium-131 brachytherapy seed used to treat prostate and other cancers. The Proxcelan™ seed offers a significantly shorter half-life than the two other isotopes commonly used for brachytherapy, which results in a substantially faster delivery of therapeutic radiation, lower probability of cancer cell survival and reduction of the longevity of common brachytherapy side effects (a)(b). IsoRay is based in Richland, Washington. More information is available about IsoRay at www.isoray.com.

a) Armpilia CI, Dale RG, Coles IP, et al. The Determination of Radiobiologically Optimized Half-lives for Radionuclides Used in Permanent Brachytherapy Implants. Int. J. Radiation Oncology Biol. Phys. 2003; 55 (2): 378-385.
(b) Prestidge B.R., Bice W.S., Jurkovic I., et al. Cesium-131 Permanent Prostate Brachytherapy: An Initial Report. Int. J. Radiation Oncology Biol. Phys. 2005; 63 (1): 5336-5337.

Safe Harbor Statement

Statements in this news release about IsoRay's future expectations, including: the advantages of our Cesium-131 seed, whether and when the new Russian facility will be completed and whether, if completed, it will result in improved margins and reduced costs along with an improved supply of isotopes for IsoRay, whether UNONA will provide the funds needed to establish the manufacturing facility and continue the operations of UralDial, LLC, future expansion plans into Russia and surrounding countries, whether establishment of the proposed new Russian facility will result in increased market share for our products, the use of the Proxcelan™ Cesium131 seed to treat cancers other than prostate cancer in the future, future demand for IsoRay's existing and planned products, IsoRay's manufacturing needs and capabilities at both its Washington and Russian facilities, and all other statements in this release, other than historical facts, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). This statement is included for the express purpose of availing IsoRay, Inc. of the protections of the safe harbor provisions of the PSLRA. It is important to note that actual results and ultimate corporate actions could differ materially from those in such forward-looking statements based on such factors as UralDial, LLC's ability to successfully complete construction of and commence operations at the new proposed Russian facility, IsoRay's ability to secure ongoing funding for the new Russian facility, whether from UNONA or other sources, future political instability, supply disruptions or other factors that make operations in Russia difficult, subject to increased costs, or impracticable, IsoRay's ability to favorably negotiate future agreements with the other parties involved in UralDial, LLC related to intellectual property and manufacturing, among other items, successful completion of future research and development activities, physician acceptance, training and use of IsoRay's products, changing levels of demand for IsoRay's current and proposed future products in specific markets worldwide; IsoRay's ability to successfully manufacture, market and sell its products, IsoRay's ability to manufacture its products in sufficient quantities to meet demand within required delivery time periods while meeting its quality control standards, IsoRay's ability to enforce its intellectual property rights, IsoRay's ability to obtain necessary certifications to import Proxcelan into Russia, and other risks detailed from time to time in IsoRay's reports filed with the SEC.

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