**Cyclopharm Limited**
**Appendix 4D - Half Year Report**
For the half year ended 30 June 2013

| | | | |
|---|---|---|---|
| To | COMPANY ANNOUNCEMENTS | | |
| Company | Australian Securities Exchange | No of Pages | 39 incl. cover |
| Date | 27 August 2013 | | |
| From | James McBrayer | | |
| **Subject** | **Appendix 4D** | | |

Please see attached 30 June 2013 Half Year Report for Cyclopharm Limited (ASX - CYC).

This announcement is made pursuant to Listing Rule 4.2A.3.

For all enquiries please contact

Mr James McBrayer
Managing Director and Company Secretary
Cyclopharm Limited

Telephone (02) 9541 0411 or email: jmcbrayer@cyclopharm.com.au

**Cyclopharm Limited**
**Appendix 4D - Half Year Report**
For the half year ended 30 June 2013

## 1. Company details

**Name of entity**

| CYCLOPHARM LIMITED |
|---|

| ABN or equivalent company reference | Half year ended ('current period') | Half year ended ('previous period') |
|---|---|---|
| 74 116 931 250 | 30 June 2013 | 30 June 2012 |

The information contained in this report is to be read in conjunction with Cyclopharm Limited's 2012 Annual Report and any announcements to the market by Cyclopharm Limited during the half year ended 30 June 2013 and up until the date of this Appendix 4D.

## 2. Results for announcement to the market

| | | | |
|---|---|---|---|
| **2.1 Revenues from ordinary activities** | Up 16% | to | 4,769,554 |
| **2.2 Loss from ordinary activities after tax attributable to members** | Up 23% (lower loss) | of | (986,314) |
| **2.3 Loss for the period attributable to members** | Up 23% (lower loss) | of | (986,314) |

| **2.4 Dividends** | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend proposed | Not applicable | Not applicable |
| Interim dividend | Not applicable | Not applicable |

| | |
|---|---|
| **2.5 Record date for determining entitlements for the final dividend** | Not applicable |

## 2. Results for announcement to the market (continued)

**2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.**

### OVERVIEW

The group's net loss after tax for the half year was $986,314 (2012: loss of $1,275,129). The improvement was due to the recognition of a tax benefit totalling $304,034 primarily from an R&D tax incentive refund received during the period, partly offset by increased Administration expense driven by costs with prosecuting our litigation against ANSTO.

While it is pleasing to have achieved meaningful growth in our Molecular Imaging division, Technegas remains the financial foundation of the group, recording 86% of sales in the first half (2012: 84%) and EBITDA for the period of $217,345 (2012: $257,442 loss).

The Technegas business continues to perform strongly, assisted by favourable movements in foreign exchange rates. Volume sales of the division's key product, Patient Administration Sets (PAS), were 13% higher than the prior year. Gross profit margins were 1% higher as unit prices start to reflect the decline in the Australian dollar exchange rate.

Sales revenue from our Molecular Imaging division increased by 5.3% versus the prior corresponding period, to $686,346. The Molecular Imaging division's loss before tax and finance costs was $1,256,295 (2012: loss of $691,840) primarily attributed to the impact of ANSTO's competitive actions in the NSW market, legal fees expended on the court action against ANSTO and an increase in operating costs as production ramps up.

### TECHNEGAS

Sales revenue from ordinary activities of $4.08m (2012: $3.47m) was 18% higher than the prior corresponding period. Gross profit margins as a percentage of sales increased from 73% to 74%. A profit before income tax of $98,096 was recorded compared with a loss before income tax of $386,427 in 1H2012. The improved profitability was predominantly attributed to increased sales together with realised exchange gains of $63,431 (2012: $125,742 realised exchange losses).

Revenue from the division's key product, Patient Administration Sets ("PAS") was 20.5% higher at $3.23 million compared to $2.68 million the same period in 2012 with volumes increasing by 8,550 units or 13% to 76,400 units.

It is encouraging that revenue from Technegas Generators was stable at $0.4 million, despite the company recording 17 Generator sales in the first half, 1 unit below the same period last year.

Operating costs of $2.43 million were 5.7% higher than that of the prior corresponding period of $2.30 million.

### MOLECULAR IMAGING

#### CycloPet

CycloPet is well into its third year of operations. Sales growth of 5% was achieved during the period with $0.69m (2012: $0.65m) of sales generated from the cyclotron facility located at Macquarie University Hospital. The business' loss before tax for the period was $1,388,444 (2012: loss of $891,776). The improved sales was attained despite facing tremendous headwinds in NSW.

Our ability to grow sales has been significantly adversely impacted by the NSW tender to supply PET radiopharmaceuticals to public hospitals in NSW being awarded to PetNet Australia, a wholly owned subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO).

**Macquarie Medical Imaging**

Cyclopharm's medical imaging joint venture, MMI, provides patients at Macquarie University Hospital and neighbouring suburbs access to state of the art imaging facilities including 3T MRI, CT, X-ray, Ultrasound and PET scanning.

Growth in MMI is tied closely to the hospital's ramp-up. In December 2011, we announced that Macquarie University Hospital had taken a 30% share in the joint venture. We are confident that initiatives being implemented at MUH including a new breast clinic, expanded specialties such as cardiothoracic services, cancer care services and expanded PET indications will continue to generate increased patient volumes.

The joint venture is accounted for on an equity basis due to Cyclopharm's minority shareholding. As a result, MMI's full accounts are not consolidated into our accounts. Cyclopet Pty Ltd loaned $60,000 (2012: nil) to Macquarie Medical Imaging during the period. As the amount is not expected to be repaid in the short term, it is included as an interest in the associate and a share of the associate's losses has been recognised accordingly.

**USA**

We announced to the Australian Stock Exchange in November 2012 that the Technegas Clinical trial required for market entry into the United States had commenced at New York's Presbyterian/Columbia University Medical Center. A total of 750 patients are required for the study which is now expected to be completed by late 2014. Despite enrolling nearly 50 patients in the study, less than 10 have been imaged to date. We wrote to the FDA requesting for modifications in identified elements within the protocol which would allow for a more aggressive enrolment and clinical site roll-out. The FDA has since agreed with our proposed changes.

The trial is well on our way now and I share my fellow Directors' confidence that our application for market entry into the United States will ultimately be successful. As the USA represents a major growth opportunity, the Directors are compelled to continue to drive for FDA approval but will ensure we do so prudently.

**New Drug Application**

We continue to develop new indications for Technegas. Disease states to include Chronic Obstructive Pulmonary Disease ("COPD") and Lung Cancer have significant market potential for Technegas and are currently being targeted with clinical studies now underway. Our pursuit of an expanded indication is fuelled by the market potential as we estimate that the COPD market is 15 to 20 times the size of that of the pulmonary embolism market we currently occupy.

In May, we were delighted to announce we had initiated a 500 person pilot clinical trial in China, targeting the use of Technegas for the diagnosis of Chronic Obstructive Pulmonary Disease or COPD.

The commencement of this trial coincided with the results of a study published in the North American Journal of Nuclear Medicine by Canadian researchers from McMaster University and the Firestone Institute for Respiratory Health, which demonstrated that Technegas detected changes in lung ventilation and perfusion before structural changes in the lungs were detected by CT scans. Stated simply, Technegas has the potential to be used not only for early diagnosis of COPD but also on a recurrent basis for COPD management. The opportunity presented by this discovery may lead to a significant expansion of the use of Technegas globally. The COPD

diagnosis market is many times larger than the market in which Technegas is currently predominantly used. For example, in Australia, 1 in 5 Australians can expect to suffer from COPD in their lifetime, and in China it has been estimated that there will be 65 million deaths from COPD and 18 million deaths from lung cancer between 2003 and 2033.

## ULTRALUTE™

In April 2013, we were delighted to announce the development and patent of a new Nuclear Medicine technology – Ultralute™. Cyclopharm's Ultralute™ technology extends the useful life of Mollybdenum-99 (Mo-99) generators by up to an additional 50%.

Mo-99 generators are used in diagnostic imaging to harvest Technetium-99m, or Tc-99m, which is the primary isotope used in diagnostic imaging throughout the world. This isotope accounts for approximately 80% of all nuclear medicine diagnostic imaging procedures.

Mo-99 has a half-life of around 2.75 days, which then decays to the 6 hour half lifeTc-99m. As Mo-99 decays there comes a time when the amount of Tc-99m eluted from the generator is so diluted that it becomes virtually unusable.

Initial testing and prototype designs of the Ultralute™ technology have provided exceptional results.

Consequently, this technology potentially gives nuclear medicine departments the ability to dramatically improve their operating efficiencies and health outcomes for patients.

## OUTLOOK

In the second half of 2013, we expect Technegas sales to benefit from the historical trend of stronger sales revenue in the second half of the calendar year, and expect continued growth in Technegas revenues from both targeted marketing in Europe as well as growth following regulatory approval in Japan and Russia. However, the second half of 2013's profitability will continue to be adversely impacted by the issues faced by Cyclopet offset by benefits from the recent decline in the Australian dollar

We look forward to introducing Technegas to the United States market following successful completion of our Phase 3 clinical trial, currently underway, and subsequent approval by the FDA. Investigational sites will be progressively added throughout 2013 and 2014 to meet the trial's target of 750 patients. Over half of the world's nuclear medicine departments are located in the United States and represents the single biggest growth opportunity for Technegas.

While the market for PET radiopharmaceuticals manufactured by Cyclopet is growing, the market has not reached our initial expectations.

The majority of our current volume is shipped north to Queensland on a daily basis. The attractiveness of this market is such that we entered into a tripartite agreement last year with the Queensland X-Ray and the Mater Hospital in Brisbane to locate a cyclotron facility at the Mater, currently the largest single healthcare precinct in Australia. The cyclotron site will be located in a new development within the precinct. Given the extensive construction required, we expect that we will be commercially operational in the second half of 2015 to early 2016.

We are now moving toward the regulatory approval process of the Ultralute™ technology while in parallel entering in discussions with potential commercial partners. Global industry interest in our Ultralute™ technology is strong and continues to accelerate. We look forward to making further announcements this year regarding Ultralute's™ progress towards commercialisation and are excited about its potential to form the basis of Cyclopharm's next stage of growth.

The Directors maintain their view that the Cyclotron facility is a major investment that will yield

significant long term returns for the Company. Furthermore, FDA approval to sell Technegas into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability. Consequently, to realise the benefits of our investments, your Directors are investigating options for funding interim working capital requirements and for the clinical trials in the US, which will be ramping up in 2014. In this regard, the Company expects to be in a position to make a further announcement regarding its funding plans in the fourth quarter of 2013.

## 3. Net tangible assets

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Net Tangible Assets per security | $0.20 | $0.05 |

## 4. Entities over which control has been gained or lost during the period

**Control over entities**

| | |
|---|---|
| Name of entity (or group of entities) | Not applicable |

**Loss of control over entities**

| | |
|---|---|
| Name of entity (or group of entities) | Not applicable |

## 5. Dividends

Not applicable

## 6. Dividend reinvestment plans

Not applicable

## 7. Details of associates and joint venture entities

Material investment in associates and joint ventures are as follows :

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Macquarie Medical Imaging Pty Ltd | 20% | 20% |

The share of the associate's loss for the period was $60,000 (2012: $nil).

**8. For Foreign Entities, which accounting standards were used in compiling this report**

| |
|---|
| International Financial Reporting Standards (IFRS) |

**9. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below**

| |
|---|
| The accounts have been subject to review. |

# Cyclopharm Limited
# Half Year Report 2013

cyclopharm

**Cyclopharm Limited and its Controlled Entities**
**ABN 74 116 931 250**

# Contents

# Highlights

| Half Year ended 30 June | | 2012 | 2013 | Inc/(Dec) | % Change |
|---|---|---|---|---|---|
| Sales Revenue | $ | 4,122,090 | 4,769,554 | 647,464 | 16% |
| Loss before tax and finance costs | $ | (1,066,972) | (1,148,375) | (81,403) | (8%) |
| Net Loss after tax | $ | (1,275,129) | (986,314) | 288,815 | 23% |
| Loss Per Share | cents | (0.64) | (1.71) | (1.07) | (167%) |

**Technegas**

Technegas business remains solid with revenue increasing by 18% while the volume of Patient Administration Sets (PAS) units sold increased 13% over the prior year.

United States Food and Drug Administration (FDA) Phase 3 clinical trials with Technegas in progress.

Expansion of Technegas use into the Chronic Obstruction Pulmonary Disease (COPD) market with the commencement of a pilot clinical trial in China in May 2013.

**Molecular Imaging**

Our wholly owned subsidiary, CycloPet Pty Ltd, which operates a cyclotron facility at Macquarie University Hospital (MUH), achieved encouraging growth with doses sold increasing 22% over the prior year despite facing tremendous headwind in NSW.

**Macquarie Medical Imaging**

Our joint venture business, Macquarie Medical Imaging (MMI) showed strong results with revenue increasing 42% in its third full year of operations at Macquarie University Hospital. MMI provides patients at the hospital and neighbouring suburbs access to a state of the art imaging facilities offering a full range of imaging modalities including Positron Emission Tomography scanning.

**Ultralute™**

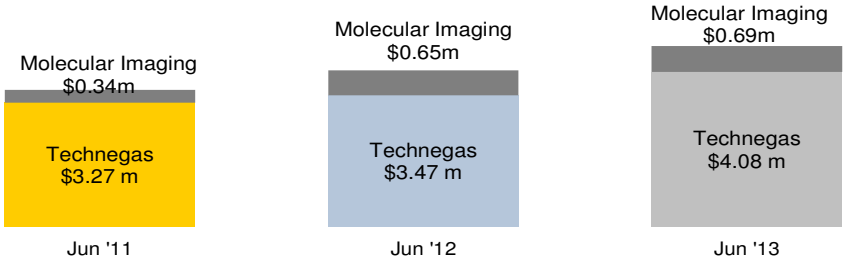
Gaining regulatory approval to use our new patented Ultralute™ technology and developing commercial demand in a number of markets. Ultralute™ extends the useful life of Mollybdenum-99 generators by up to an additional 50%.

# Managing Director's Review

**FEATURES**

I am pleased to inform shareholders that every one of our core businesses is now generating revenue. We are also working hard to commercialise our new patented Ultralute™ technology which will enable us to further diversify our income stream in the near future.

Firstly, sales volumes and gross margins from our Technegas business grew strongly over the half year, driven by a decline in the Australian dollar exchange rate and expansion of our presence in the recently entered Canadian and Asian markets. Our cyclotron facility at Macquarie University Hospital (MUH) recorded solid sales, with the number of Fluro Deoxy Gloucose (FDG) doses sold improving by 22% for this half year. We continue to be encouraged by the strong growth in patient volumes seen through Macquarie Medical Imaging (MMI), our joint venture diagnostic imaging service located at Macquarie University Hospital. MMI achieved a robust 42% increase in sales in comparison with the prior comparative period.




**Group Revenue by segment**

The group's net loss after tax for the half year was $986,314 (2012: loss of $1,275,129). The improvement was due to the recognition of a tax benefit totalling $304,034 primarily from an R&D tax incentive refund received during the period, partly offset by increased Administration expense driven by costs with prosecuting our litigation against ANSTO.

While it is pleasing to have achieved meaningful growth in our Molecular Imaging division, Technegas remains the financial foundation of the group, recording 86% of sales in the first half (2012: 84%) and EBITDA for the period of $217,345 (2012: $257,442 loss).

The Technegas business continues to perform strongly, assisted by favourable movements in foreign exchange rates. Volume sales of the division's key product, Patient Administration Sets (PAS), were 13% higher than the prior year. Gross profit margins were 1% higher as unit prices start to reflect the decline in the Australian dollar exchange rate.

Sales revenue from our Molecular Imaging division increased by 5.3% versus the prior corresponding period, to $686,346. The Molecular Imaging division's loss before tax and finance costs was $1,256,295 (2012: loss of $691,840) primarily attributed to the impact of ANSTO's competitive actions in the NSW market, legal fees expended on the court action against ANSTO and an increase in operating costs as production ramps up.

# Managing Director's Review
Continued

Your Directors expect significantly stronger sales and earnings from the Technegas division in the second half, driven by continued expansion into the Canadian and Asian markets and with further improvement in gross profit margins as a result of recent declines in the Australian dollar. We also expect continued meaningful growth in FDG revenues from the Molecular Imaging division. Cyclopet's purpose built cyclotron facility supplies FDG, the primary radioisotope used for Positron Emission Tomography (PET) scans at MMI, the imaging centre at Macquarie University Hospital.

**OPERATING REVIEW**

**TECHNEGAS**

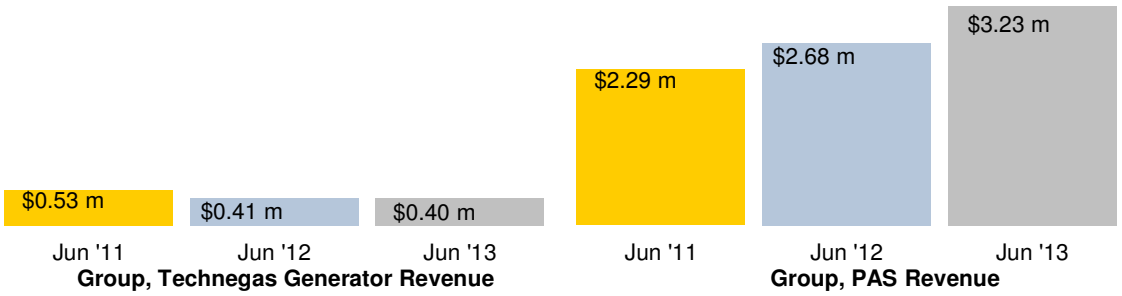
Sales revenue from ordinary activities of $4.08m (2012: $3.47m) was 18% higher than the prior corresponding period. Gross profit margins as a percentage of sales increased from 73% to 74%. A profit before income tax of $98,096 was recorded compared with a loss before income tax of $386,427 in the previous period. The improved profitability was predominantly attributed to increased sales together with realised exchange gains of $63,431 (2012: $125,742 realised exchange losses).

Revenue from the division's key product, Patient Administration Sets ("PAS") was 20.5% higher at $3.23 million compared to $2.68 million the same period in 2012 with volumes increasing by 8,550 units or 13% to 76,400 units.

It is encouraging that revenue from Technegas Generators was stable at $0.4 million, despite the company recording 17 Generator sales in the first half, 1 unit below the same period last year.

Operating costs of $2.43 million were 5.7% higher than that of the prior corresponding period of $2.30 million.

**Technegas Market Review**




**Europe**
During the period, 44% (2012: 42%) of Cyclopharm's revenues were recorded in Europe, again demonstrating the region's importance. European sales revenue of $1.79 million was 24% higher than $1.44 million recorded in the prior corresponding period. Traditionally, the majority of sales in Europe are incurred in the second half of the year. We expect this trend to continue.

**North America**
There was a 11% growth in both PAS units sold and PAS revenue in Canada compared to the same period last year. On a country basis, Canada is now the second largest Technegas market with PAS quantities expected to match our largest market, France, in the near future. Management views our success in Canada as a strong indicator for anticipated take up rates in the USA should approval to sell Technegas in the USA be obtained.

# Managing Director's Review
Continued

**Asia Pacific**
In Asia Pacific, we recorded revenues 78% higher than the same period last year. In Australia, sales were 31% higher than the same period last year . Generator sales were robust with 5 new generators sold compared to 1 for the same period in 2012. Australian PAS sales grew 18% compared to the same period in 2012.

**USA**

We announced to the Australian Stock Exchange in November 2012 that the Technegas Clinical trial required for market entry into the United States had commenced at New York's Presbyterian/Columbia University Medical Center. A total of 750 patients are required for the study which is now expected to be completed by late 2014. Despite enrolling nearly 50 patients in the study, less than 10 have been imaged to date. We wrote to the FDA requesting for modifications in identified elements within the protocol which would allow for a more aggressive enrolment and clinical site roll-out. The FDA has since agreed with our proposed changes.

The trial is well on our way now and I share my fellow Directors' confidence that our application for market entry into the United States will ultimately be successful. As the USA represents a major growth opportunity, the Directors are compelled to continue to drive for FDA approval but will ensure we do so prudently.

**New Drug Application**

We continue to develop new indications for Technegas. Disease states to include Chronic Obstructive Pulmonary Disease ("COPD") and Lung Cancer have significant market potential for Technegas and are currently being targeted with clinical studies now underway. Our pursuit of an expanded indication is fuelled by the market potential as we estimate that the COPD market is 15 to 20 times the size of that of the pulmonary embolism market we currently occupy.

In May, we were delighted to announce we had initiated a 500 person pilot clinical trial in China, targeting the use of Technegas for the diagnosis of Chronic Obstructive Pulmonary Disease or COPD.

The commencement of this trial coincided with the results of a study published in the North American Journal of Nuclear Medicine by Canadian researchers from McMaster University and the Firestone Institute for Respiratory Health, which demonstrated that Technegas detected changes in lung ventilation and perfusion before structural changes in the lungs were detected by CT scans. Stated simply, Technegas has the potential to be used not only for early diagnosis of COPD but also on a recurrent basis for COPD management. The opportunity presented by this discovery may lead to a significant expansion of the use of Technegas globally. The COPD diagnosis market is many times larger than the market in which Technegas is currently predominantly used. For example, in Australia, 1 in 5 Australians can expect to suffer from COPD in their lifetime, and in China it has been estimated that there will be 65 million deaths from COPD and 18 million deaths from lung cancer between 2003 and 2033.

I look forward to providing you updates as they become available.

**MOLECULAR IMAGING**

**CycloPet**
CycloPet is well into its third year of operations. Sales growth of 5% was achieved during the period with $0.69m (2012: $0.65m) of sales generated from the cyclotron facility located at Macquarie University Hospital. The business' loss before tax for the period was $1,388,444 (2012: loss of $891,776). The improved sales was attained despite facing tremendous headwinds in NSW.

Our ability to grow sales has been significantly adversely impacted by the NSW tender to supply PET radiopharmaceuticals to public hospitals in NSW being awarded to PetNet Australia, a wholly owned subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO).

# Managing Director's Review
Continued

Based on a complaint from Cyclopet, Petnet Australia was subject to an investigation by the Australian Government Competitive Neutrality Complaints Office (AGCNCO), an independent division of the Productivity Commission. The AGCNCO handed down a rare finding in favour of Cyclopet's complaint finding that Petnet Australia, being a government owned enterprise, was in ex-ante breach of its competitive neutrality requirements.

ANSTO on behalf of Petnet has refuted the finding from the AGCNCO that Petnet is in breach of their competitive neutrality obligations. As a consequence, Cyclopet has commenced proceedings in the Australian Federal Court claiming breaches to not only sections 52 and 45 of the Trade Practices Act 1974 (Commonwealth) but also sections 18, 45 and 46 of the Competition and Consumer Act 2010.

It should be noted that before Cyclopharm commenced to invest in its Molecular Imaging strategy, for the purpose of exploring a joint venture with ANSTO, it shared with ANSTO's then Chief Executive Officer and other Senior ANSTO Managers its business plan to develop cyclotron facilities. At that time ANSTO had already disbanded the commercial supply of FDG to the Australian market and furthermore did not demonstrate an interest to reinvest in the production of FDG. Cyclopharm alleges that subsequent to our discussions when ANSTO did decide to re-enter the FDG market, they did so at non-commercial pricing levels. Cyclopharm further believes that ANSTO continues to take advantage of its government subsidised position by perpetuating a loss-making non-commercial venture rather than directing those tax payer funds towards much needed research and development.

While before the courts, this litigation will undoubtedly be a cash burden to your company. Nevertheless, your Directors are committed to vigorously prosecute what we believe to be not only a serious breach of competition law but also an inappropriate and wasteful use of tax payer funds by a government owned enterprise used to compete against Cyclopet. We are hopeful that the matter will come before the Federal Court in late 2013.

Unfortunately the losses we have sustained as result of the action of ANSTO has meant that Cyclopet will likely operate at a loss until such time as the various legal action we have taken results in a rectification of this situation.

I look forward to updating shareholders as the case progresses.

Despite the setbacks in NSW, we see Queensland as a strong market in which to expand. In fact, while ANSTO's actions have the impact of blocking us from competing in the NSW market, we have grown our business through distribution into Queensland. Sales into Queensland comprised 61% of our doses sold during the half year period.

**MACQUARIE MEDICAL IMAGING**

Cyclopharm's medical imaging joint venture, MMI, provides patients at Macquarie University Hospital and neighbouring suburbs access to state of the art imaging facilities including 3T MRI, CT, X-ray, Ultrasound and PET scanning.

Growth in MMI is tied closely to the hospital's ramp-up. In December 2011, we announced that Macquarie University Hospital had taken a 30% share in the joint venture. We are confident that initiatives being implemented at MUH including a new breast clinic, expanded specialties such as cardiothoracic services, cancer care services and expanded PET indications will continue to generate increased patient volumes.

The joint venture is accounted for on an equity basis due to Cyclopharm's minority shareholding. As a result, MMI's full accounts are not consolidated into our accounts. Cyclopet Pty Ltd loaned $60,000 (2012: nil) to Macquarie Medical Imaging during the period. As the amount is not expected to be repaid in the short term, it is included as an interest in the associate and a share of the associate's losses has been recognised accordingly.

# Managing Director's Review

Continued

**ULTRALUTE™**

In April 2013, we were delighted to announce the development and patent of a new Nuclear Medicine technology – Ultralute™. Cyclopharm's Ultralute™ technology extends the useful life of Mollybdenum-99 (Mo-99) generators by up to an additional 50%.

Mo-99 generators are used in diagnostic imaging to harvest Technetium-99m, or Tc-99m, which is the primary isotope used in diagnostic imaging throughout the world. This isotope accounts for approximately 80% of all nuclear medicine diagnostic imaging procedures.

Mo-99 has a half-life of around 2.75 days, which then decays to the 6 hour half lifeTc-99m. As Mo-99 decays there comes a time when the amount of Tc-99m eluted from the generator is so diluted that it becomes virtually unusable.

Initial testing and prototype designs of the Ultralute™ technology have provided exceptional results.

Consequently, this technology potentially gives nuclear medicine departments the ability to dramatically improve their operating efficiencies and health outcomes for patients.

**OUTLOOK**

In the second half of 2013, we expect Technegas sales to benefit from the historical trend of stronger sales revenue in the second half of the calendar year, and expect continued growth in Technegas revenues from both targeted marketing in Europe as well as growth following regulatory approval in Japan and Russia. However, the second half of 2013's profitability will continue to be adversely impacted by the issues faced by Cyclopet offset by benefits from the recent decline in the Australian dollar

We look forward to introducing Technegas to the United States market following successful completion of our Phase 3 clinical trial, currently underway, and subsequent approval by the FDA. Investigational sites will be progressively added throughout 2013 and 2014 to meet the trial's target of 750 patients. Over half of the world's nuclear medicine departments are located in the United States and represents the single biggest growth opportunity for Technegas.

While the market for PET radiopharmaceuticals manufactured by Cyclopet is growing, the market has not reached our initial expectations.

The majority of our current volume is shipped north to Queensland on a daily basis. The attractiveness of this market is such that we entered into a tripartite agreement last year with the Queensland X-Ray and the Mater Hospital in Brisbane to locate a cyclotron facility at the Mater, currently the largest single healthcare precinct in Australia. The cyclotron site will be located in a new development within the precinct. Given the extensive construction required, we expect that we will be commercially operational in the second half of 2015 to early 2016.

We are now moving toward the regulatory approval process of the Ultralute™ technology while in parallel entering in discussions with potential commercial partners. Global industry interest in our Ultralute™ technology is strong and continues to accelerate. We look forward to making further announcements this year regarding Ultralute's™ progress towards commercialisation and are excited about its potential to form the basis of Cyclopharm's next stage of growth.

# Managing Director's Review

Continued

The Directors maintain their view that the Cyclotron facility is a major investment that will yield significant long term returns for the Company. Furthermore, FDA approval to sell Technegas into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability. Consequently, to realise the benefits of our investments, your Directors are investigating options for funding interim working capital requirements and for the clinical trials in the US, which will be ramping up in 2014. In this regard, the Company expects to be in a position to make a further announcement regarding its funding plans in the fourth quarter of 2013.

**James McBrayer**
Managing Director

Sydney, 27 August 2013

# Directors' Report

The Directors of Cyclopharm Limited ("Cyclopharm" or "Company") submit their half yearly report together with the financial report for Cyclopharm and its controlled entities for the half year ended 30 June 2013.

**DIRECTORS**

The names of the Company's directors in office throughout and since the end of the half-year are set out below.

| | |
|---|---|
| Mr V R Gould | Non-Executive Chairman |
| Mr D J Heaney | Non-Executive Director |
| Mr J S McBrayer | Managing Director |

**PRINCIPAL ACTIVITIES**

During the year the principal continuing activities of the consolidated entity consisted of the manufacture and sale of medical equipment and radiopharmaceuticals, including associated research and development in radiopharmaceuticals.

**OPERATING AND FINANCIAL REVIEW**

**Operating Results for the Half Year**

For the reporting period the economic entity recorded a loss after tax attributable to members of $986,314 (2012: loss after tax of $1,275,129). The improvement was due to the recognition of a tax benefit totalling $304,034 primarily from an R&D tax incentive refund received during the period, partly offset by increased administration expense driven by costs with prosecuting our litigation against ANSTO.

**Financial Position**

Net assets have decreased from $15,608,433 as at 31 December 2012 to $14,827,726 as at 30 June 2013 predominantly due to the net loss of $986,314 for the period. This was offset by an improvement of $201,440 in the foreign currency translation reserve.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 follows the Directors' Report.

This report is made and signed in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporations Act 2001:

**James McBrayer**
Managing Director & CEO

Sydney, 27 August 2013

Russell Bedford
New South Wales

Level 42, Suncorp Place
259 George Street
Sydney NSW 2000
Australia

T: **+61 2 9032 3050**
F: +61 2 9032 3058
E: mail@russellbedfordnsw.com.au
W: www.russellbedford.com

27 August 2013

The Board of Directors
Cyclopharm Limited
Building 75
Business and Technology Park
New Illawarra Road
Lucas Heights
NSW 2234

**LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the review of the financial statements of Cyclopharm Limited for the half year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there has been no contravention of:

- the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

RUSSELL BEDFORD NSW
Chartered Accountants

GREGORY C RALPH, M.Com, FCA
Partner

# Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 June 2013

| | Notes | Consolidated 30 June 2013 $ | Consolidated 30 June 2012 $ |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Sales revenue | | 4,769,554 | 4,122,090 |
| Finance revenue | | 10,205 | 18,954 |
| **Total Revenue** | | **4,779,759** | **4,141,044** |
| Cost of materials and manufacturing | | (1,392,798) | (1,201,076) |
| Employee benefits expense | | (1,686,525) | (1,595,479) |
| Advertising and promotion expense | | (130,713) | (131,067) |
| Depreciation and amortisation expense | | (318,979) | (327,393) |
| Freight and duty expense | | (274,730) | (272,213) |
| Research expenses | | (19,036) | (8,814) |
| Administration expense | | (1,684,100) | (1,217,360) |
| Other expenses | | (361,253) | (454,614) |
| Share of loss of an associate | | (60,000) | - |
| **Loss before tax and finance costs** | | **(1,148,375)** | **(1,066,972)** |
| Finance costs | | (141,973) | (211,231) |
| **Loss before income tax** | | **(1,290,348)** | **(1,278,203)** |
| Income tax benefit | | 304,034 | 3,074 |
| **Net loss for the period** | | **(986,314)** | **(1,275,129)** |
| **Other comprehensive loss after income tax** | | | |
| Exchange differences on translating foreign controlled entities | | 201,440 | (74,223) |
| **Total comprehensive loss for the year** | | **(784,874)** | **(1,349,352)** |
| Loss per share (cents per share) | 4 | **cents** | **cents** |
| -basic loss per share for continuing operations | | (1.71) | (0.64) |
| -basic loss per share | | (1.71) | (0.64) |
| -diluted loss per share | | (1.71) | (0.64) |

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the Half Year Report.

# Condensed Consolidated Statement of Financial Position

as at 30 June 2013

| | Notes | Consolidated 30 June 2013 $ | Consolidated 31 December 2012 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 1,196,344 | 2,346,556 |
| Trade and other receivables | | 3,340,172 | 3,784,293 |
| Inventories | | 2,986,596 | 2,884,834 |
| Current tax asset | | 1,649 | 1,478 |
| Other assets - prepayments | | 57,279 | 15,822 |
| **Total Current Assets** | | **7,582,040** | **9,032,983** |
| **Non-current Assets** | | | |
| Trade and other receivables | | 70,926 | - |
| Inventories | | 152,600 | - |
| Property, plant and equipment | | 9,383,748 | 9,526,942 |
| Investments accounted for using the equity method | 5 | - | - |
| Intangible assets | | 3,213,267 | 3,096,438 |
| **Total Non-current Assets** | | **12,820,541** | **12,623,380** |
| **Total Assets** | | **20,402,581** | **21,656,363** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 1,661,805 | 1,642,146 |
| Interest bearing loans and borrowings | 6 | 3,004,887 | 3,604,310 |
| Provisions | | 756,035 | 681,588 |
| **Total Current Liabilities** | | **5,422,727** | **5,928,044** |
| **Non-current Liabilities** | | | |
| Interest bearing loans and borrowings | 6 | 14,398 | 16,986 |
| Provisions | | 117,153 | 84,456 |
| Deferred tax liabilities | | 20,577 | 18,444 |
| **Total Non-current Liabilities** | | **152,128** | **119,886** |
| **Total Liabilities** | | **5,574,855** | **6,047,930** |
| **Net Assets** | | **14,827,726** | **15,608,433** |
| **Equity** | | | |
| Contributed equity | 7 | 14,963,235 | 14,966,515 |
| Employee equity benefits reserve | | 333,000 | 325,553 |
| Foreign currency translation reserve | | (1,388,169) | (1,589,609) |
| Retained Profits | | 919,660 | 1,905,974 |
| **Total Equity** | | **14,827,726** | **15,608,433** |

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes to the Half Year Report.

# Condensed Consolidated Statement of Cash Flows

for the half year ended 30 June 2013

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 30 June 2012 |
| | $ | $ |
| **Operating activities** | | |
| Receipts from customers | 5,030,365 | 5,550,943 |
| Payments to suppliers and employees | (5,571,122) | (4,592,059) |
| Interest received | 10,205 | 18,954 |
| Borrowing costs paid | (141,973) | (211,231) |
| Income tax received / (paid) | 305,996 | (13,926) |
| **Net cash flows (used in) / from operating activities** | **(366,529)** | **752,681** |
| **Investing activities** | | |
| Loan to associate | (60,000) | - |
| Purchase of property, plant and equipment | (148,567) | 87,974 |
| Payments for deferred expenditure | (171,265) | (266,356) |
| **Net cash flows used in investing activities** | **(379,832)** | **(178,382)** |
| **Financing activities** | | |
| Costs of raising capital | (3,280) | (3,240) |
| Repayment of bank borrowings | (600,000) | (600,000) |
| Repayment of lease liabilities | (2,011) | (1,434) |
| **Net cash flows used in financing activities** | **(605,291)** | **(604,674)** |
| **Net decrease in cash and cash equivalents** | **(1,351,652)** | **(30,375)** |
| **Cash and cash equivalents** | | |
| **at beginning of the period** | **2,346,556** | **2,043,814** |
| **net foreign exchange differences from translation** | 201,440 | (74,223) |
| **at end of the period** | **1,196,344** | **1,939,216** |

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes to the Half Year Report.

# Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2013

| Consolidated | Contributed Equity $ | Other Contributed Equity $ | Total Contributed Equity $ | Retained Profits $ | Foreign Currency Translation Reserve $ | Employee Equity Benefits Reserve $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012** | **18,398,350** | **(5,333,158)** | **13,065,192** | **2,950,101** | **(1,732,693)** | **322,199** | **14,604,799** |
| Loss for the half year | - | - | - | (1,275,129) | - | - | (1,275,129) |
| Other comprehensive income | - | - | - | - | (74,223) | - | (74,223) |
| **Total comprehensive loss for the half year** | **-** | **-** | **-** | **(1,275,129)** | **(74,223)** | **-** | **(1,349,352)** |
| Cost of raising capital | (3,240) | - | (3,240) | - | - | - | (3,240) |
| Cost of share based payments | - | - | - | - | - | 3,354 | 3,354 |
| **Total transactions with owners and other transfers** | **(3,240)** | **-** | **(3,240)** | **-** | **-** | **3,354** | **114** |
| **Balance at 30 June 2012** | **18,395,110** | **(5,333,158)** | **13,061,952** | **1,674,972** | **(1,806,916)** | **325,553** | **13,255,561** |
| **Balance at 1 January 2013** | **20,299,673** | **(5,333,158)** | **14,966,515** | **1,905,974** | **(1,589,609)** | **325,553** | **15,608,433** |
| Loss for the half year | - | - | - | (986,314) | - | - | (986,314) |
| Other comprehensive income | - | - | - | - | 201,440 | - | 201,440 |
| **Total comprehensive loss for the half year** | **-** | **-** | **-** | **(986,314)** | **201,440** | **-** | **(784,874)** |
| Cost of raising capital | (3,280) | - | (3,280) | - | - | - | (3,280) |
| Cost of share based payments | - | - | - | - | - | 7,447 | 7,447 |
| **Total transactions with owners and other transfers** | **(3,280)** | **-** | **(3,280)** | **-** | **-** | **7,447** | **4,167** |
| **Balance at 30 June 2013** | **20,296,393** | **(5,333,158)** | **14,963,235** | **919,660** | **(1,388,169)** | **333,000** | **14,827,726** |

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the Half Year Report.

# Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 June 2013

## 1. CORPORATE INFORMATION

The Half Year financial report of Cyclopharm Limited for the half year ended 30 June 2013 was authorised for issue with a resolution of the directors as of the date of this half year report.

Cyclopharm is a Company limited by shares incorporated and domiciled in Australia. The shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in Director's Report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Preparation

These general purpose condensed consolidated interim financial statements for the half-year reporting period ended 30 June 2013 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard *AASB 134 Interim Financial Reporting.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Cyclopharm Limited and its controlled entities (referred to as the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2012, together with any public announcements made during the following half-year.

**Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

**Critical Accounting Estimates and Judgments**

The critical estimates and judgments are consistent with those applied and disclosed in the December 2012 annual report.

**New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period**

i. *Consolidated financial statements*

The Group has adopted the following new and revised Australian Accounting Standards from 1 January 2013 together with consequential amendments to other Standards:

- AASB 10*: Consolidated Financial Statements;*
- AASB 128: *Investments in Associates and Joint Ventures (August 2011);*
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards; and*
- AASB 2012-10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

# Notes
Continued

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

**New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period *(continued)***

These Standards are mandatorily applicable from 1 January 2013 and thus, became applicable to the Group for the first time in the current half-year reporting period. The effects of initial application of these Standards in the current half-year reporting period are as follows:

- *Consolidated financial statements:*

AASB 10 provides a revised definition of control and additional guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10, the assets, liabilities and non-controlling interests related to investments in business that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: Business Combinations) from the date when the Group obtained control of the investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date if initial application (ie. 2012) is necessary. When control is considered to have obtained earlier than the beginning of the immediately preceding year (ie. pre-1 January 2012), any difference the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 January 2012.

The first-time application of AASB 10 (together with the associated Standards) did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

*ii. Fair value measurements and disclosures*

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 January 2013 together with consequential amendments to other Standards. These Standards are mandatorily applicable from 1 January 2013 and thus, become applicable to the Group for the first time in the current half-year reporting period. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures all assets and liabilities measured at fair value. These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements.

*iii. Other*

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012-2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.*

# Notes
Continued

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation**

**New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period *(continued)***

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

**b) Going Concern**

The consolidated entity incurred a loss after tax of $986,314 for the half-year ended 30 June 2013. During the next 12 months, the consolidated entity expects to expend $1.8m on FDA clinical trials, $1.2m on bank loan repayments and other net outgoings which in aggregate, exceed the current cash facilities. In addition, the consolidated entity had breached two of its banking covenants during the year ended 31 December 2012 as disclosed in Note 6, which has resulted in the bank loan being classified as a current liability.

These matters give rise to a material uncertainty that casts doubt upon the consolidated entity's ability to continue as a going concern. The ongoing operation of the consolidated entity is dependent upon:

i) The consolidated entity achieving cash flow positive trading operations from its existing business and

ii) Continued financial support from its financiers, and

iii) Additional capital raising.

The directors have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern. These cash flow projections assume net proceeds of $1.75m from a capital raising exercise and continued financial support from its financiers. The directors have obtained a letter of support from the consolidated entity's key shareholder confirming its willingness to underwrite a further capital raising within the next twelve months if considered necessary. On this basis, the directors are of the opinion that the consolidated entity can and will continue as a going concern.

In the event that the consolidated entity is unable to achieve the matters detailed above, it may not be able to continue operations as a going concern and therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

# Notes
Continued

## 3. SEGMENT REPORTING

| For the period ended 30 June 2013 | Technegas $ | Consolidated Molecular Imaging $ | Total $ |
|---|---|---|---|
| **Revenue** | | | |
| Sales to external customers | 4,083,208 | 686,346 | 4,769,554 |
| Finance revenue | 10,144 | 61 | 10,205 |
| **Total segment revenue** | **4,093,352** | **686,407** | **4,779,759** |
| **Result** | | | |
| **Profit / (Loss) before tax, depreciation and finance costs** | **217,345** | **(1,046,741)** | **(829,396)** |
| Depreciation and amortisation | (109,425) | (209,554) | (318,979) |
| **Profit / (Loss) before tax and finance** | **107,920** | **(1,256,295)** | **(1,148,375)** |
| Finance costs | (9,824) | (132,149) | (141,973) |
| **Profit / (Loss) before tax** | **98,096** | **(1,388,444)** | **(1,290,348)** |
| Income tax benefit | 304,034 | - | 304,034 |
| **Net Profit / (Loss) for the period** | **402,130** | **(1,388,444)** | **(986,314)** |
| **Assets and liabilities** | | | |
| Segment assets | 10,708,365 | 9,694,216 | 20,402,581 |
| Segment liabilities | 2,192,566 | 3,382,289 | 5,574,855 |

# Notes
Continued

## 3. SEGMENT REPORTING

| For the period ended 30 June 2012 | Consolidated Technegas $ | Molecular Imaging $ | Total $ |
|---|---|---|---|
| **Revenue** | | | |
| Sales to external customers | 3,470,127 | 651,963 | 4,122,090 |
| Finance revenue | 18,730 | 224 | 18,954 |
| **Total segment revenue** | **3,488,857** | **652,187** | **4,141,044** |
| **Result** | | | |
| **Loss before tax, depreciation and finance costs** | **(257,442)** | **(482,137)** | **(739,579)** |
| Depreciation and amortisation | (117,690) | (209,703) | (327,393) |
| **Loss before tax and finance** | **(375,132)** | **(691,840)** | **(1,066,972)** |
| Finance costs | (11,295) | (199,936) | (211,231) |
| **Loss before tax** | **(386,427)** | **(891,776)** | **(1,278,203)** |
| Income tax benefit | 3,074 | - | 3,074 |
| **Net Loss for the period** | **(383,353)** | **(891,776)** | **(1,275,129)** |
| **Assets and liabilities** | | | |
| Segment assets | 9,491,610 | 10,259,778 | 19,751,388 |
| Segment liabilities | 2,040,117 | 4,455,710 | 6,495,827 |

# Notes
Continued

## 4. NET TANGIBLE ASSETS AND EARNINGS PER SHARE

### Net Tangible Assets per share

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 31 December 2012 |
| | $ | $ |
| Net assets per share | 0.26 | 0.27 |
| Net tangible assets per share | 0.20 | 0.22 |
| | Number | Number |
| Number of ordinary shares for net assets per share | 57,448,536 | 58,128,536 |
| | 30 June 2013 | 31 December 2012 |
| | $ | $ |
| Net assets | 14,827,726 | 15,608,433 |
| Net tangible assets | 11,614,459 | 12,511,995 |

The weighted average number of ordinary shares includes the effect of the cancellation of 680,000 expired Long Term Incentive Performance shares on 2 April 2013 as set out in Note 7.

### Loss per share

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 30 June 2012 |
| | $ | $ |
| Net loss attributable to equity holders of the parent | (986,314) | (1,275,129) |
| | Number | Number |
| Weighted average number of ordinary shares for basic loss per share | 57,794,171 | 197,886,313 |
| | cents | cents |
| - basic loss per share for continuing operations | (1.71) | (0.64) |
| - basic loss per share | (1.71) | (0.64) |
| - diluted loss per share | (1.71) | (0.64) |
| Weighted average number of ordinary shares for basic loss per share | 57,794,171 | 197,886,313 |

The weighted average number of ordinary shares includes the effect of the cancellation of 680,000 expired Long Term Incentive Performance shares on 2 April 2013 as set out in Note 7.

# Notes
Continued

## 5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 31 December 2012 |
| | $ | $ |
| Associated companies | - | - |

| Name | Principal Activities | Country of Incorporation | Shares | Ownership Interest | |
|---|---|---|---|---|---|
| | | | | 30 June 2013 | 31 December 2012 |
| Macquarie Medical Imaging Pty Ltd | Imaging centre | Australia | Preference | 20% | 20% |

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 31 December 2012 |
| Macquarie Medical Imaging Pty Ltd | $ | $ |
| At 1 January | - | - |
| Loan to associate | 60,000 | - |
| Share of losses after income tax | (60,000) | - |
| At 30 June / 31 December | - | - |

During the period, Cyclopharm's wholly owned subsidiary Cyclopet Pty Ltd loaned $60,000 (2012: $nil) to Macquarie Medical Imaging Pty Ltd, an imaging joint venture at Macquarie University Hospital. Cyclopet Pty Ltd has a 20% (2012: 20%) interest in Macquarie Medical Imaging Pty Ltd. As the amount is not expected to be repaid in the short term, it is included as an interest in the associate and a share of the associate's losses has been recognised under the equity method of accounting.

The share of the associate's loss not recognised during the period was $170,850 (30 June 2012: loss of $156,552) and the cumulative share of the associate's loss not recognised as at 30 June 2013 was $603,205 (31 December 2012: $432,355).

The fair value of the Group's investment in Macquarie Medical Imaging Pty Ltd was $nil (2012: $nil).

# Notes
Continued

## 6. INTEREST BEARING LOANS AND BORROWINGS

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 31 December 2012 |
| | $ | $ |
| **Current** | | |
| Lease liabilty - secured | 4,887 | 4,310 |
| Bank loan - secured (i) | 3,000,000 | 3,600,000 |
| **Interest bearing loans and liabilities (current)** | **3,004,887** | **3,604,310** |
| **Non-current** | | |
| Lease liabilty - secured | 14,398 | 16,986 |
| **Interest bearing loans and liabilities (non-current)** | **14,398** | **16,986** |
| **Total financial liabilities** | **3,019,285** | **3,621,296** |
| Total facilities | 3,000,000 | 3,600,000 |
| Facilities used at reporting date | (3,000,000) | (3,600,000) |
| **Facilities unused at reporting date** | **-** | **-** |

(i) Cyclopharm has a flexible rate loan provided by the National Australia Bank. The facility expires on 31 December 2015. The facility is secured by a first registered mortgage debenture over Cyclopharm Limited and a guarantee and indemnity from Cyclomedica Australia Pty Ltd, CycloPet Pty Ltd, Allrad No. 28 Pty Ltd and Allrad No. 29 Pty Ltd. The National Australia Bank has a registered Fixed and Floating Charge and First Registered Debenture charges over these companies.

As at 31 December 2012, the Group breached its banking covenants, being an Event of Default triggered by variances greater than 15% of Actual Loss Before Interest and Taxes (LBIT) as compared to Budgeted LBIT and the non-compliance of the interest cover covenant in view of the Loss Before Interest and Taxes incurred. Actual Loss Before Interest and Taxes (LBIT) as compared to Budget is measured on a quarterly basis and the interest cover covenant is measured on a yearly basis. In March 2013, the Bank provided a letter confirming while it does not waive or give up its right in relation to any breach of obligation, it was not taking action at that point in time. The Group has complied with all banking covenants for the half year period to 30 June 2013.

# Notes
Continued

## 7. CONTRIBUTED EQUITY

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | Notes | 30 June 2013 Number | 30 June 2012 Number | 30 June 2013 $ | 30 June 2012 $ |
| **Issued and paid up capital** | | | | | |
| Ordinary shares | (i) | 57,448,536 | 44,715,882 | 20,296,393 | 18,395,110 |
| Other contributed equity | | - | - | (5,333,158) | (5,333,158) |
| **Total issued and paid up capital** | | **57,448,536** | **44,715,882** | **14,963,235** | **13,061,952** |
| **Ordinary shares** | | | | | |
| **Issued and paid up capital** | | | | | |
| Balance at the beginning of the period | | 58,128,536 | 223,579,418 | 20,299,673 | 18,398,350 |
| Costs arising from issue of renounceable rights shares | | - | - | (3,280) | (3,240) |
| Cancellation of expired Long Term Incentive Plan shares | (i) | (680,000) | - | - | - |
| Share consolidation | | - | (178,863,536) | - | - |
| Balance at end of period | | **57,448,536** | **44,715,882** | **20,296,393** | **18,395,110** |

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(i) The Company cancelled 680,000 expired Long Term Incentive Plan shares on 2 April 2013.

# Notes
Continued

## 8. COMMITMENTS AND CONTINGENCIES

### (a) Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 31 December 2012 |
| | $ | $ |
| **Operating Lease Commitments** | | |
| **Minimum lease payments** | | |
| Due not later than one year | 492,401 | 324,413 |
| Due later than 1 year & not later than 5 years | 1,399,886 | 1,107,884 |
| More than 5 years | 496,200 | 620,250 |
| **Total operating lease commitments** | **2,388,487** | **2,052,547** |
| Operating lease expenses recognised as an expense during the period | 266,882 | 481,639 |

- The Group has entered into commercial leases on office space within certain buildings. These leases have an average life of between 3 to 5 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.
- Cyclopet Pty Ltd has entered into a commercial lease for the PET Facility at Macquarie University Hospital. The lease has a term of 10 years and commenced upon commissioning of the Hospital in June 2010.
- The Group also has entered into commercial leases on motor vehicles that have an average life of approximately 3 to 5 years.

### (b) Finance lease commitments

| | | Consolidated | |
|---|---|---|---|
| | Notes | 30 June 2013 | 31 December 2012 |
| | | $ | $ |
| **Finance Lease Commitments** | | | |
| **Minimum lease payments** | | | |
| Due not later than one year | (i) | 4,887 | 4,310 |
| Due later than 1 year & not later than 5 years | (i) | 14,398 | 16,986 |
| **Total finance lease commitments** | | **19,285** | **21,296** |

(i) The Group also has entered into a commercial lease on motor vehicles that have a life of 5 years. This lease is secured against the underlying assets.

# Notes
Continued

## 8. COMMITMENTS AND CONTINGENCIES (continued)

### (c) Other commitments

| | Consolidated | |
|---|---|---|
| | 30 June 2013 | 31 December 2012 |
| | $ | $ |
| **The company has the following other commitments:** | | |
| Not later than one year | 3,000,000 | 3,600,000 |
| **Total** | **3,000,000** | **3,600,000** |

Cyclopharm has a flexible rate loan provided by the National Australia Bank. The facility expires on 31 December 2015. The facility is secured by a first registered mortgage debenture over Cyclopharm Limited and a guarantee and indemnity from Cyclomedica Australia Pty Ltd, CycloPet Pty Ltd, Allrad No. 28 Pty Ltd and Allrad No. 29 Pty Ltd. The National Australia Bank has a registered Fixed and Floating Charge and First Registered Debenture charges over these companies.

As at 31 December 2012, the Group breached its banking covenants, being an Event of Default triggered by variances greater than 15% of Actual Loss Before Interest and Taxes (LBIT) as compared to Budgeted LBIT and the non-compliance of the interest cover covenant in view of the Loss Before Interest and Taxes incurred. Actual Loss Before Interest and Taxes (LBIT) as compared to Budget is measured on a quarterly basis and the interest cover covenant is measured on a yearly basis. In March 2013, the Bank provided a letter confirming while it does not waive or give up its right in relation to any breach of obligation, it was not taking action at that point in time. The Group has complied with all banking covenants for the half year period to 30 June 2013.

### (d) Capital commitments

There were no material changes to the commitments disclosed in the 2012 Annual Report as at the date of this report.

# Notes
Continued

## 8. COMMITMENTS AND CONTINGENCIES (continued)

### (e) Contingent liabilities

(i) Cyclopharm Limited and CycloPet Pty Ltd have jointly guaranteed with other investors to provide security for the whole Macquarie Medical Imaging Pty Ltd financing facility provided by the Commonwealth Bank of Australia. Cyclopharm Group's liability is limited to the amount that Cyclopharm Limited and CycloPet Pty Ltd are obliged to fund under a Subscription Agreement being 20% of the gross liability amount. The consolidated entities' contingent obligation at balance date was $2,385,780 (31 December 2012: $2,658,978).

(ii) Pursuant to a Shareholders' Agreement, Cyclopet Pty Limited (a wholly owned subsidiary of Cyclopharm Limited) issued a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI") such that if this option was exercised, Cyclopet would be required to purchase all Redeemable Preference Shares and Ordinary Shares held by the 50% joint venturer for the value of the Redeemable Preference Shares plus any accumulated interest plus $1 for the Ordinary Shares. The estimated cost to Cyclopet had the put option been exercised at balance date was $818,539 (31 December 2012: $679,621). If the put option were exercised, control of MMI would be transferred to the Group and MMI's financial statements would be consolidated from that date.

### (f) Contingent assets

Based on a complaint from CycloPet Pty Ltd, PetNet Australia, a wholly owned subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO) was subject to an investigation by the Australian Government Competitive Neutrality Complaints Office (AGCNCO), an independent division of the Productivity Commission. The AGCNCO handed down a finding in favour of CycloPet Pty Ltd finding that PetNet Australia, being a government owned enterprise, was in ex ante breach of its competitive neutrality requirements.

ANSTO on behalf of PetNet Australia has refuted this finding and as a consequence CycloPet Pty Ltd has commenced proceedings in the Federal Court claiming breaches to section 52 of the Trade Practices Act 1974 (Commonwealth), and the Competition and Consumer Act 2010.

Based on legal advice, the Directors believe CycloPet Pty Ltd has a strong case. The directors are unable to quantify the damages as at the date of this report.

# Notes
Continued

## 9. SIGNIFICANT RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Cyclopharm and its subsidiaries as stated below.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

| CONSOLIDATED | | Sales to related parties $ | Other Transactions with related parties $ | Amounts owed by related parties $ | Provision for doubtful debts on Amounts owed by related parties $ |
|---|---|---|---|---|---|
| Macquarie Medical Imaging | *2013* | 59,220 | 60,000 | 141,853 | 70,927 |
| | *2012* | 52,930 | - | 33,576 | - |

### Ultimate parent entity

Cyclopharm Limited is the ultimate parent entity in the wholly owned group.

### Terms and conditions of transactions with related parties

- Cyclopet Pty Ltd, a wholly owned subsidiary of Cyclopharm has a 20% interest in Macquarie Medical Imaging. Cyclopet manufactures products that are sold to Macquarie Medical Imaging. Cyclopet Pty Ltd loaned $60,000 (2012: nil) to Macquarie Medical Imaging during the period. As the amount is not expected to be repaid in the short term, it is included as an interest in the associate and a share of the associate's losses has been recognised under the equity method as disclosed in Note 5.

## 10. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial period, not otherwise dealt with in the financial report, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial periods.

# Directors' Declaration

In the opinion of the directors of Cyclopharm Limited:

1. (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the half-year ended on that date; and

    (ii) complying with Accounting Standard *AASB 134 Interim Financial Reporting*, Corporations Regulations 2001 and other mandatory professional reporting requirements.

    (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001:

**James McBrayer**
Managing Director & CEO

Sydney, 27 August 2013

Russell Bedford
New South Wales

Level 42, Suncorp Place
259 George Street
Sydney NSW 2000
Australia

T: **+61 2 9032 3050**
F: +61 2 9032 3058
E: mail@russellbedfordnsw.com.au
W: www.russellbedford.com

## Independent Review Report to the members of Cyclopharm Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cyclopharm Limited and the entities it controlled during the half year, which comprises the condensed consolidated statement of financial position as at 30 June 2013, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors Responsibility on the Half-Year Financial Report*

The directors of Cyclopharm Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cyclopharm Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

*Matters Relating to Electronic Publication of the Reviewed Financial Report*

This review report relates to the financial report of Cyclopharm Limited for the half year period ended 30 June 2013 included on the website of Cyclopharm Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cyclopharm Limited and the entities it controlled during the half year is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

*Emphasis of Matter*

Without modifying our conclusion expressed above, we draw attention to Note 2(b) 'Going Concern' in the financial statements, which identifies that the consolidated entity incurred a loss of $986,314 for the half-year ended 30 June 2013. These conditions, along with other matters as set forth in Note 2(b) 'Going Concern', indicates the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

RUSSELL BEDFORD NSW
Chartered Accountants

GREGORY C RALPH M.Com, FCA
Partner

Sydney, dated this 27th day of August 2013

# General Information

**Directors**
**Vanda Gould**
Non-Executive Chairman

**James McBrayer**
Managing Director & CEO

**David Heaney**
Non-Executive Director

**Company Secretary**
James McBrayer

**Registered Office**
**Cyclopharm Limited**
Building 75
Business & Technology Park
New Illawarra Road
Lucas Heights NSW 2234
T: 02 9541 0411
F: 02 9543 0960

**Cyclomedica Australia**
Building 75
Business & Technology Park
New Illawarra Road
Lucas Heights NSW 2234
T: 02 9541 0411
F: 02 9543 0960

**CycloPet**
Basement 2
Macquarie University Hospital
3 Technology Place
Macquarie University NSW 2109
T: 02 9878 3869
F: 02 9889 1281

**Cyclomedica Canada**
615 Old York Road,
Burlington,
Ontario L7P 4Y6
Canada

**Cyclomedica Germany**
Museumstrasse 69
D-38229 Salzgitter
Germany

**Cyclomedica Europe**
Unit A5,
Calmount Business Park
Ballymount
Dublin 12
Ireland

**Auditors**
Russell Bedford NSW
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000

**Share Registry**
Gould Ralph Pty Ltd
Level 42
259 George Street
Sydney NSW 2000
T: 02 9032 3000
F: 02 9032 3088

**Bankers**
National Australia Bank
Level 21, 255 George Street
Sydney NSW 2000

**Solicitors**
Piper Alderman
Level 24, 385 Bourke Street
Melbourne VIC 3000

**Stock Exchange Listing**
The ordinary shares of Cyclopharm Limited are listed on the Australian Securities Exchange Ltd (code: CYC).