



22 May 2014

The Manager  
Company Announcements Office  
Australian Securities Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

## Chairman's Address

### Introduction

Thank you for joining us for today's Annual General Meeting of the shareholders of Cyclopharm Limited. I am Vanda Gould and, as Chairman of this meeting, I **declare that a quorum is present** in accordance with the Constitution. Accordingly, I declare the Meeting open.

I have pleasure in introducing my fellow directors Henry Townsing, who re-joined the board in September last year, fellow independent director David Heaney, and our Managing Director and CEO, James McBrayer.

I also welcome Stephen Fisher of Russell Bedford, the Company's Auditor.

Please note the following documents are tabled and are available for review:

- the Notice of Annual General Meeting,
- Financial Statements,
- Independent Auditor's Report,
- Directors' Report,
- Members' minute book,
- Company's Constitution and
- Shareholders' Register.

In my address today, I will provide an overview of the progress Cyclopharm made during 2013, some more recent changes to the Company's business.

### 2013 Performance

I highlighted in our Annual Report that Cyclopharm's results for the 2013 year reflected the contrasting performances of our business Divisions. While we achieved a substantial improvement in the profitability of our core Technegas division, at the Group level this was not enough to offset the ongoing operating losses in the Molecular Imaging Division (Cyclopet).



As a result, the Group recorded an overall net loss before impairments of \$780k for the year.

Following the Board's decision to cease commercial production at its molecular imaging business which took effect at the end of last month, the 2013 accounts also included a non-cash impairment charge of nearly \$9 million to write down the Molecular Imaging Division's assets.

As shareholders would be aware, the viability of the Molecular Imaging Division has for a number of years been adversely affected by the anticompetitive actions of Petnet, a wholly owned subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO).

Disappointingly, Petnet's anticompetitive behaviour continued in 2013 despite the finding of the respected Productivity Commission in 2012 that ANSTO had committed an ex-ante breach of competitive neutrality rules. Cyclopharm has instigated a claim against ANSTO in the Federal Court and this matter continues.

The Board reluctantly made the decision to exit the molecular imaging business and to shut down our Cyclotron operation in this building when it became clear that Petnet was continuing to enter into new contracts at prices considerably lower than those already identified in our claim before the Federal Court as 'predatory'.

Petnet's anticompetitive behaviour has come at great cost to the Company and our shareholders. Consequently, we will continue pursuing our claims against Petnet and the case has been listed for a full hearing to begin on 1st September 2014, in which the Company will also be seeking substantial damages. We are also pursuing a mediation route to ensure that legal costs are contained to the extent possible.

On a much more positive note, the Technegas Division recorded an outstanding result in 2013, achieving profit before tax of \$2.0 million for the year. The growth in the Technegas business was driven by a combination of improved sales, an expansion in margins assisted by favourable foreign exchange movements, and stable operating costs.

Your Board is confident that the potential financial returns to shareholders from the Technegas division remain robust. These returns will be driven by the Company's strategy of:

- pursuing strong organic sales growth in existing markets;
- entering new high growth markets (such as Japan); and
- identifying new applications for the use of the Division's products.

During 2013, we made significant progress on each element of this strategy. For example, we recorded increased sales volumes in every market in which we operate. In October 2013, approval was received to begin sales of the Technegas Plus Generator in Japan, a market with huge potential for our business.



We are also progressing with the FDA an approval process to enter the USA market, and are currently working on an alternative approach which we are hopeful should fast track FDA approval. We are also continuing to develop new indications for Technegas to include chronic obstructive pulmonary disease and lung cancer. Each of these is expected to contribute to sustainable returns to shareholders over the short and medium term.

Shareholders who attended last year's AGM were introduced to our exciting patented Nuclear Medicine technology – Ultralute™. I am delighted to report that during the past twelve months a high level of interest has been received from the market regarding the potential of Ultralute™ to dramatically improve the efficiency of nuclear medicine.

We are very excited by the commercial prospects for Ultralute™ and are confident it provides Cyclopharm with the basis for outstanding shareholder returns over the longer term.

The closure of our Cyclotron operation, while extremely disappointing given our considerable investment in that business, was a watershed development in Cyclopharm's history. Having made that difficult decision, we are now free to focus our financial and management resources on the exciting, profitable and cash-generating opportunities available through our Technegas division.

Your Board is confident that at our 2015 AGM we will be reporting to you further growth in revenue from this ongoing and growing business and a satisfactory net profit.

## **Governance**

Since the last AGM there have been a number of changes to your Board.

As I mentioned at the outset, in September 2013 Henry Townsing re-joined the Board as a Non-Executive Director. Mr Townsing has more than 20 years' experience in corporate finance and private equity. He is also currently a Non-Executive Director of Vita Life Sciences Limited. He was formerly a member of Cyclopharm's Board from 2005 until 2009.

In October last year, I stepped down from the position of Chairman but remained a Non-Executive Director while defending charges against me in relation to taxation matters. At that time Mr David Heaney was appointed Acting Chairman whilst these matters were being resolved.

Last week I was pleased to advise that the Commonwealth Director of Prosecutions withdrew all charges against me and I was gladly reinstated as your Chairman.

I along with my fellow board members want to thank Mr Heaney for undertaking the role of Chairman during this difficult period



## **Conclusion**

Before I conclude my address, I would like to thank our management and staff – led by Mr James McBrayer. Their commitment to delivering on the Company’s objectives has been an example to all of us.

We also thank you - our shareholders – and our business partners and customers for their ongoing support.

And, in particular, I would like to take this opportunity to thank Cyclopet’s staff and business partners for their dedication and contribution to the company despite the market challenges.

James McBrayer will now provide more detail on the operational highlights of 2013 and on our current growth projects and outlook for 2014.

Vanda Gould  
**Chairman**

### **For more information, please contact:**

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## **Background**

### **Cyclopharm Limited**

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

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

### **Technegas**

The Technegas technology is a structured ultra-fine dispersion of radioactive labeled carbon, produced by using dried Technetium-99m in a carbon crucible, micro furnaced for a few seconds at around 2,700°C. The resultant gas like substance is inhaled by the patient (lung ventilation) via a breathing apparatus, which then allows multiple views and tomography imaging under a gamma or single photon emission computed tomography (SPECT) camera for the superior diagnosis of pulmonary emboli (blood clots in the lungs).

### **Positron Emission Tomography (PET)**

PET radiopharmaceuticals target specific tissues / organs, concentrate there, and the attached radioisotope emits radiation, which is then detected by a PET or PET / CT gamma (collectively PET camera). These imaging modalities help physicians improve their ability to detect and determine the location, extent and stage of cancer, neurological disorders and cardiac disease at a metabolic level. By improving diagnosis, PET scans aid physicians in selecting better courses of treatment, as well as assessing whether treatment is effective or should be changed at a much earlier stage.