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## **CYCLOPHARM ANNOUNCES INTENTION TO CEASE PRODUCTION AT ITS CYCLOTRON FACILITY TO FOCUS ON PROFITABLE TECHNEGAS BUSINESS AND ULTRALUTE™**

Cyclopharm Limited (ASX: CYC) has decided to cease commercial production at its molecular imaging business, conducted by Cyclopet at the end of April 2014.

Announcing this today, the Directors said that over the past few years the Cyclopet business has faced significant financial challenges associated with the ongoing anti-competitive practices of the Australian Nuclear Science and Technology Organisation (ANSTO) which, through its wholly-owned PETNET business, continues to sell its products into the NSW market at prices that are not commercially viable.

This practice has continued despite a finding by the Productivity Commission (PC) in 2012 that ANSTO/PETNET breached competitive neutrality rules in order to gain an unfair advantage over Cyclopharm, a private company. ANSTO have chosen to ignore this finding and as a consequence that same year, Cyclopharm commenced legal proceedings against ANSTO and PETNET in the Federal Court of Australia. These proceedings are ongoing and will not be affected by this decision.

The decision to shut down our cyclotron operation was forced upon us when it became known that PETNET was entering into new contracts at prices considerably lower than those already raised in our claim as predatory. Despite Cyclopet's growth in sales volumes and being one of Australia's lowest cost producers of nuclear medicine isotopes, the failure by ANSTO/PETNET to apply competitive neutrality principles and of the Commonwealth Government to take action following the PC's findings, have created a market environment in which the Directors have concluded that the Cyclopet business is unlikely to generate satisfactory returns for shareholders in the near term. This view will continue so long as we have to compete in a market against government enterprises heavily subsidised by tax payer funding.

Cyclopet recorded a 2013 full year operating net loss before tax of approximately \$2.93 million excluding the impairment charge of \$8.86 million.

The closure of the cyclotron facility will enable Cyclopharm to focus its financial and management resources on growing its highly profitable and cash-generating Technegas



business in international markets and continuing the development of its patented Ultralute™ technology.

As a result of the Cyclopet decision, Cyclopharm has recorded a non-cash asset write down of \$8.86 million in its 2013 accounts and expects to make a provision for closure-related expenses, including redundancy costs, of approximately \$0.11 million after tax in 2014.

The Directors confirm that, in order to protect shareholder value, we will continue to pursue the Company's claim against ANSTO in the Federal Court. The matter has been set down for a three week hearing commencing on 1 September 2014 before His Honour Justice Wigney.

In addition to the cessation of the commercial cyclotron operations at Macquarie University Hospital, in August 2012 Cyclopharm notified the market of our intention to establish a cyclotron facility in Brisbane. As a result of the uneconomic market conditions established by the actions of ANSTO/PETNET in this sector, the Brisbane cyclotron is now deemed financially unviable and the company will not be moving forward with this project at this time.

In parallel with proceeding with the litigation against ANSTO, the company will continue to utilise the facility at Macquarie University Hospital to progress some of its research and development activities until a longer term use for the facility is ascertained to include the potential sale of the asset.

The Directors thank Cyclopet's employees, customers and partners for their support and will work closely with each of them throughout this transition to minimise any impact on them.

**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 furnace 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.