cyclopharm
Nuclear Medicine

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technegas
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ultralute

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The Manager
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SLIDE 2 - Chairman's Address

Introduction

Good morning everyone.

Thank you for joining us for today's Annual General Meeting of the shareholders of Cyclopharm Limited held in our terrific new offices. At the conclusion of the AGM, our staff will be available to take shareholders on a tour of our facility.

My name is David Heaney and I will chair the Meeting. I am honoured to have been appointed Chairman of Cyclopharm's Board in March of this year.

Before I begin, I kindly request if you have a mobile phone with you, please switch it off, or turn it to silent mode for the duration of this meeting.

I have been advised that a quorum is present in accordance with the Constitution. Accordingly, I declare the Meeting open.

I am pleased to introduce my fellow Directors (*to my left/right*), Vanda Gould and Tom McDonald and our Managing Director, CEO and Company Secretary, James McBrayer. Tom was appointed to the Board from 3rd April 2017 and is seeking election at this Meeting.

Also with us today are key members of the Cyclopharm's management team, including Mathew Farag, our newly appointed Chief Operating Officer and many staff members that are also shareholders.

I also welcome Stephen Fisher of Nexia Sydney, the Company's Auditor.

Please note that 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.

Ladies and gentlemen,

2016 was another important year for Cyclopharm, both financially and strategically.

The Company is ideally placed to take full advantage of the business expansion opportunities that lie before us. These opportunities were significantly enhanced during the year where we made considerable progress delivering on our strategic objectives.

I will review, briefly, our major achievements for the year, and will then invite James to address our operational and business development in greater detail.

In 2016 Cyclopharm shareholders continued to benefit directly from the effective implementation of the Company's focussed growth strategy and Directors again declared dividend payments for the year of one cent per share (partially franked).

The Board's decision to continue dividend payments reflects our view that the Company is producing sustainable earnings and that our earnings performance will improve over time.

The level of dividend declared strikes an appropriate balance between the necessity to retain sufficient cash to grow the business and our commitment to deliver appropriate returns to shareholders.

Last year's record sales revenue of $14.39 million was 14 per cent higher than in 2015 and underlying EBITDA increased by 15 per cent to $3.44 million. Gross margins improved by a healthy 11 per cent and totalled $11.18 million.

Cyclopharm's excellent financial results for the year were driven primarily by our flagship business division, Technegas, which achieved 95 per cent growth in the sales of Technegas generators largely driven by the significant sale into China and a 10 per cent increase in unit sales of Patient Administration Sets (or PAS).

Our business is generating healthy cash flows enabling management to undertake strategic investments to grow shareholder value. The planned deployment of Technegas into the highly prospective US market is a key business priority and James and his team are tenaciously pursuing regulatory approval for Technegas via the US Food and Drug Administration (or FDA).

The USA remains our most important untapped market for Technegas but the Company is also pursuing regulatory approval to commence sales in other promising new markets such as Russia.

While Technegas is today used primarily to diagnose the presence of blood clots in the lungs, it also has very promising future applications for other disease indications such as chronic obstructive pulmonary disease (or COPD) and other small airways diseases.

The Company recently funded a trial in China that suggested Technegas' usefulness in the early detection of COPD and is about to commence another trial here in Australia using our technology in small airways disease. If these business opportunities are realised, there is significant potential to expand Technegas' revenue and profitability over the medium to longer term.

Indeed the success of early results from the Chinese trials led to the company's receiving a significant order in that market during the year. I will talk about this in more detail shortly.

Cyclopharm's balance sheet remains healthy and debt-free. At year-end, the Company held a cash balance of approximately $4.6 million, reflecting the growth in underlying earnings for the year, offset by FDA trial expenses and relocation costs in relation to our new facility here at Kingsgrove.

Your company's intrinsic value and strong growth prospects in the context of a clearly-enunciated business plan continue to attract interest from high quality investors and, while all of our shareholders are important to us, I should note the increased investment by institutional investors in Cyclopharm and, in particular, that Australian Ethical Investments became a substantial shareholder in 2016. We welcome Australian Ethical and other new investors' votes of confidence in Cyclopharm.

As I noted earlier, 2016 was a year of considerable progress and success for Cyclopharm, from both operational and development perspectives.

Our record revenue performance reflected sales volume growth in Australasia, Europe and Latin America, augmented by a $1.38 million order from Cyclopharm's Chinese distributor, the largest Technegas order ever received by the Company.

This order by our Chinese distributor will seed Technegas into a number of Chinese hospitals and healthcare facilities and is expected to provide a platform for higher PAS patient kit sales to China from 2018.

We were delighted to receive last November FDA approval for our Technegas trial design. This approval significantly de-risked the FDA trial program and confirmed we remain on track for its estimated completion date. The Board is increasingly confident that we will receive FDA approval by mid-2018 at a total cost of around USD $7 million, of which we invested $2.43million AUD to date.

The Board commends James and his team for their ongoing development of global markets for Technegas. Over thirty years, more than 3.57 million patients have now benefited from the use of the Technegas system and Directors remain confident that steady growth in the sales of Technegas devices will continue through 2017 and beyond.

Cyclopharm's 2016 record results provide clear evidence of the successful implementation of our strategic priorities, which are steadily building a larger, more profitable health care company. We are well-placed to realise the growth potential within the business through the deployment of our proprietary valuable technologies.

We will also continue to focus on commercial production of the exciting Ultralute™ technology, which was launched in Germany two weeks ago, while simultaneously entering into discussions with potential commercial partners. Ultralute™ has the potential to be a major driver of the next stage of the Company's growth and we expect initial sales of Ultralute ™ in the first half of this year.

SLIDE 3 – Our Strategy

Cyclopharm has consistently sought to ensure that the Company's governance and Director expertise continues to support our strategy as we build a larger and more profitable company and enter a high growth phase of our development.

We were therefore delighted when Tom McDonald, who has extensive experience in the commercialisation of global technology and pharmaceutical businesses, accepted our invitation to join the Board last month. Tom's extensive Board and senior management expertise, both with ASX and internationally listed companies, will be invaluable as we progress the FDA Technegas approval process and subsequently enter the US and other major markets.

Cyclopharm will continue to pursue our successful growth strategy, which remains unaltered. The strategy is built on four pillars. To:

- Commercialise the US market
- Expand Technegas' indications for use
- Develop and deliver new products such as Ultralute™
- Explore new opportunities within Cyclopharm's area of expertise of nuclear medicine and health care

In conclusion, the Board expects 2017 to be another year of strong operational and financial performance

Additional Technegas sales and margin expansion, combined with initial sales of Ultralute™, will be the primary drivers of additional profit growth in the years ahead.

In 2017, the Board expects Cyclopharm to deliver modest underlying sales and earnings growth excluding China, ensure its capital position remains healthy and to continue to reward investors with solid returns.

Cyclopharm's management team, led by James McBrayer, has worked tirelessly to achieve record results in 2016 and remains committed, with the support of the Board, to achieving the full potential of the Company's growth strategy.

On behalf of my fellow Directors, I thank all Cyclopharm staff and shareholders for their ongoing support of the Company.

We are confident that Cyclopharm is in a strong position to build on the successes of 2016 and to achieve long-term, sustainable growth in profits and shareholder value.

I now invite James to address the Meeting.

David Heaney
Chairman

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