



17 November 2011

NOTICE UNDER SECTION 708AA(2)(F) OF THE CORPORATIONS ACT 2001 (CTH)

On 4 November 2011, Cyclopharm Limited (**Company**) announced a fully underwritten renounceable pro-rata entitlement offer to raise approximately \$2.1 million before offer costs. The net proceeds of the offer will go towards funding the operating costs of Cyclopet and to fund a Technegas clinical trial in the United States. While the market for products manufactured by Cyclopet is growing, in the first year of operations the market has not reached our initial expectations. The lagging market combined with competition from government owned enterprises requires additional capital to support this new venture.

The commencement of the United States Food and Drug Administration (FDA) clinical trial is expected to commence December this year. The total FDA clinical trial costs are estimated to cost approximately US\$4 million over the next 30 months. Following commencement, the balance of the FDA clinical trial costs is expected to be funded by the operations.

Under the offer, existing eligible shareholders of the Company can subscribe for 1 share for every 3.2 shares in the Company that they hold at the record date at an issue price of \$0.04 per share (**Rights Issue**).

There will also be a shortfall facility, under which eligible shareholders will have the ability to subscribe for additional shares in the Company, which may be issued from any shortfall under the Rights Issue. The Rights Issue will be fully underwritten by CVC Managers Pty Ltd (**Underwriter**).

The Rights Issue will be open to shareholders on the record date of 7.00pm (Sydney time) on 14 November 2011 with a registered address in Australia and New Zealand (**Eligible Shareholders**).

The Company gives notice under section 708AA(2)(f) of the *Corporations Act 2001* (**Act**) as modified by Australian Securities and Investments Commission Class Order 08/35 (CO 08/35) that:

- 1 The Company will offer the shares under the Rights Issue without disclosure to Eligible Shareholders under Part 6D.2 of the Act.
- 2 The Company is providing this notice under paragraph 708AA(2)(f) of the Act as notionally modified by CO 08/35.
- 3 As at the date of this notice, the Company has complied with:
 - 3.1 the provisions of Chapter 2M of the Act as they apply to the Company; and
 - 3.2 section 674 of the Act.
- 4 As at the date of this notice, there is no excluded information as defined in section 708AA(8) and section 708AA(9) of the Act which is required to be disclosed by the Company.
- 5 The effect the issue of shares under the Rights Issue will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including:
 - 5.1 investor demand and the level of support for the Rights Issue; and
 - 5.2 the level of trading (if any) in rights.

The Directors cannot speculate the extent to which the full entitlements under the Rights Issue will be accepted by the Eligible Shareholders, the level of rights trading or the levels of voting power after completion of the Rights Issue. However, they make the following observations.

Potential dilution generally of existing shareholders

If every security holder takes up their full entitlement under the Rights Issue and there is no rights trading, the Rights Issue will have no material effect on the control of the Company. However, if not every security holder subscribes for their full entitlement under the Rights Issue or there is rights trading, the existing security holders who do not take up the entitlements under the Rights Issue will be diluted upon the issue of shares.

Potential increase in voting power in the Company of CVC and its associates

Stinoc Pty Ltd (**Stinoc**) (the Company's largest shareholder) and the Underwriter (CVC Managers Pty Ltd), are both wholly owned subsidiaries and associates of ASX listed investment company, CVC Limited (**CVC**).

Their voting power in the Company is currently as follows:

Holder	Nature of relevant interest	Relevant interest in Existing Shares	Voting Power (%)
Stinoc Pty Ltd	Registered holder of shares	33,264,378	19.77
CVC Managers Pty Ltd	Associate of Stinoc Pty Ltd	Nil	Nil
CVC Limited	Controller of its wholly owned subsidiaries Stinoc Pty Ltd and CVC Managers Pty Ltd	33,264,378 (indirectly through association with Stinoc Pty Ltd)	19.77

CVC and its associates may increase significantly their voting power in the Company as a result of the Rights Issue.

The maximum voting power of CVC and its associates could increase to up to approximately 38.876% after completion of the Rights Issue, if:

- no Eligible Shareholders, except Stinoc, subscribed for their entitlements under the Rights Issue;
- there was no rights trading; and
- the Underwriter subscribed for the entire shortfall under the Rights Issue.

The table below provides an illustration of the potential increases in the shares held by CVC and its associates on the basis of the assumptions above and subject to the effects of rounding:

Holder	Shares before Rights Issue		Shares after Rights issue - assuming 50% shortfall		Shares after Rights issue - assuming 100% shortfall	
	Number	%	Number	%	Number	%
Stinoc Pty Ltd	33,264,378	19.77	43,659,497	19.77	43,659,497	19.77
CVC Managers Pty Ltd	Nil	Nil	21,085,662	9.55	42,171,324	19.10
Remaining Shareholders	134,948,238	80.23	156,033,900	70.68	134,948,238	61.13
Total	168,212,616	100%	220,779,059	100%	220,779,059	100%

Table 1: Potential increase in shareholding

In these circumstances, the increase in voting power of CVC and its associates, as a group, would be as follows:

Holder	Before Rights issue	Voting power after Rights issue - assuming 50% shortfall	Voting power after Rights issue - assuming 100% shortfall
CVC Group	19.77%	29.32%	38.87%
Remaining Shareholders	80.23%	70.68%	61.13%

Table 2: Potential increase in voting power of CVC Group

The Company has taken steps to minimise as far as possible the potential increase in the voting power of CVC and its associates by:

- pricing the Rights Issue at a level to make it commercially attractive to participate
- structuring the Rights Issue so that the entitlements are renounceable and may be sold to new investors wishing to subscribe for shares and
- including a shortfall facility which enables eligible shareholders to apply to shares in addition to their entitlement.

Intentions of CVC Limited

CVC has advised the Company that if CVC obtained control of the Company:

- CVC's present intention is to exercise its voting power to cause the Company to continue its current business in the ordinary course and to pursue the strategies advised to the market; and
- CVC has no present intention to change the direction or business of the Company, to enter into any related party transactions with the Company, to materially restructure the employment arrangements of the Company, or to redeploy any of its fixed assets.



Mr James McBrayer
Managing Director