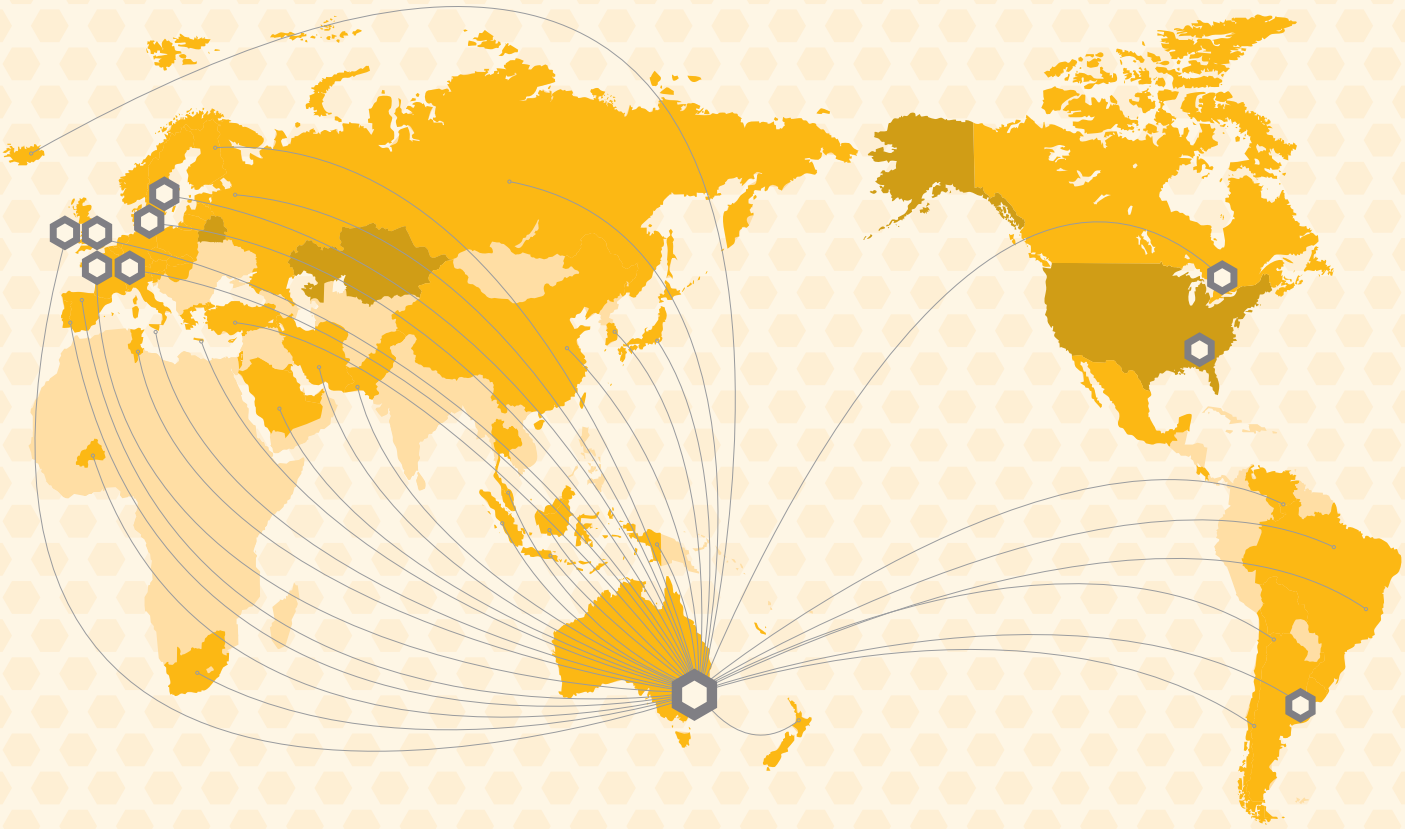
Cyclopharm Limited

Annual Report 2022



cyclopharm
Nuclear Medicine

Innovative solutions in nuclear medicine

Cyclopharm Limited is a health technology company that is a world leader in functional lung ventilation imagery. Our imaging product Technegas™ is a clinical market leader in nuclear medicine diagnostic imaging and is available in over 60 countries.

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2022 Highlights

Record Group Sales Revenue
$23.22m
up 31.1%

Third-party Distribution Revenues
$9.22m
More than double FY2021

USFDA
Approval expected in 2023, with significant commercialisation preparation progress achieved for rapid US rollout

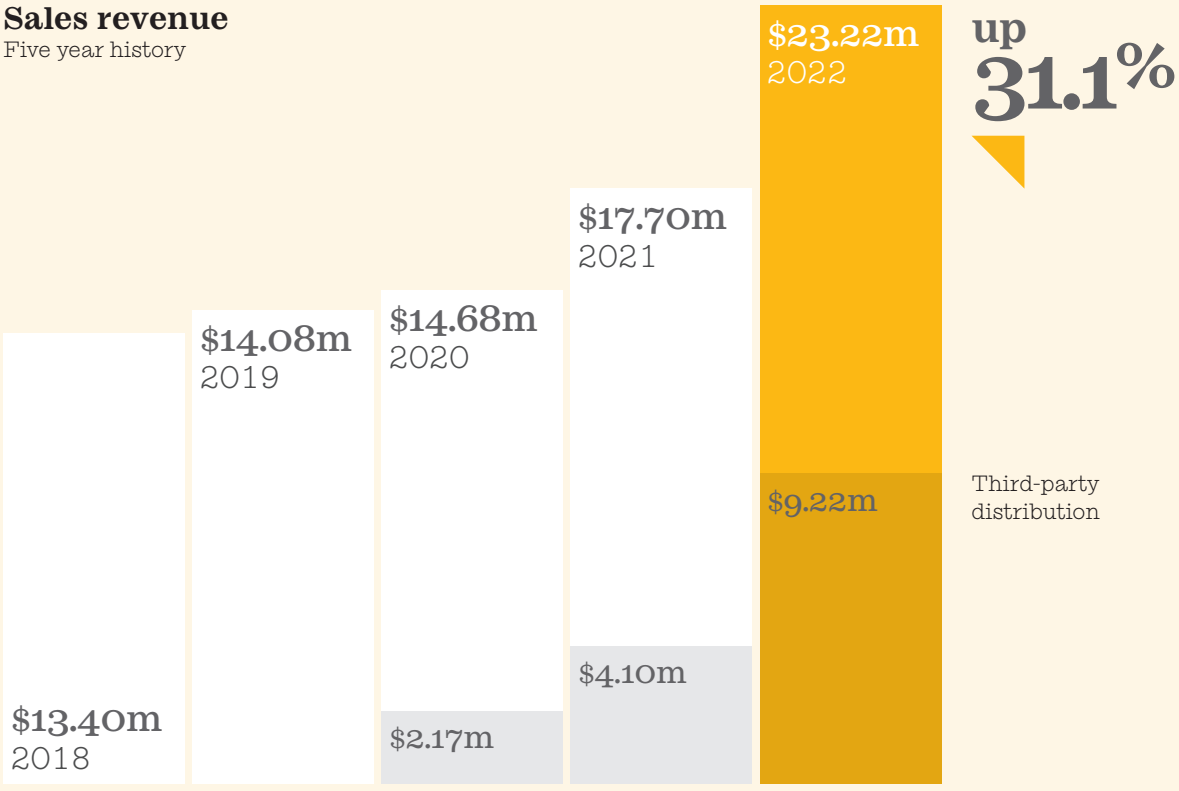
Maintained full year Dividends at
1.0cps

Summary Financials

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Change %
Sales Revenue					
Technegas™ Division	14,079	14,523	17,312	22,878	32.2%
Molecular Imaging Division	–	153	392	340	(13%)
Total Sales Revenue	**14,079**	**14,676**	**17,704**	**23,218**	**31.1%**
Net Loss Before Tax					
Technegas™ Division	(3,171)	(5,983)	(4,652)	(6,411)	37.8%
Molecular Imaging Division	746	139	305	381	24.9%
Total Net Loss Before Tax	**(2,425)**	**(5,844)**	**(4,347)**	**(6,030)**	**38.7%**
Loss After Tax	**(2,912)**	**(6,044)**	**(5,040)**	**(6,612)**	**31.2%**

Full Year ending 31 December	2019 cents	2020 cents	2021 cents	2022 cents	Change %
Diluted Loss Per Share	(4.28)	(7.89)	(5.62)	(7.17)	27.6%

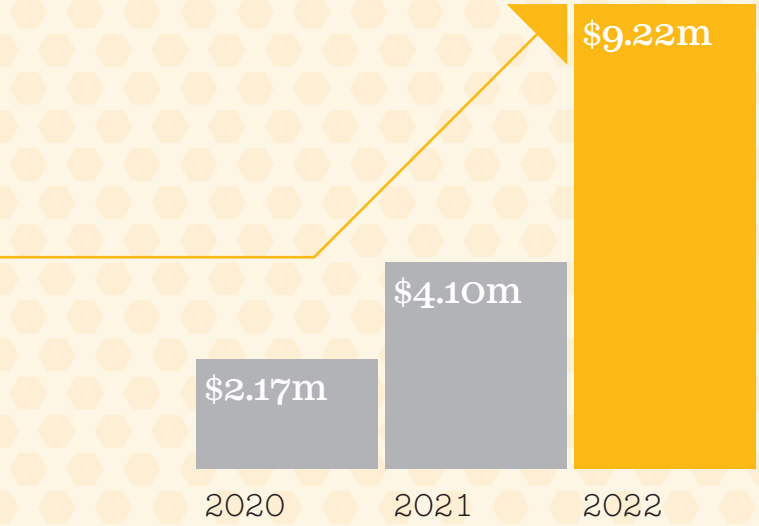
Sales revenue
Five year history



Cyclopharm's record revenue performance in 2022, was driven by increased sales across all our business units but, in particular, our third-party distribution business which leverages our core strengths, while diversifying our revenue streams.

In 2022, the third-party distribution business contributed a substantial $9.22 million in revenue, up from $4.10 million in 2021.

Third-party distribution revenue
More than double FY2021

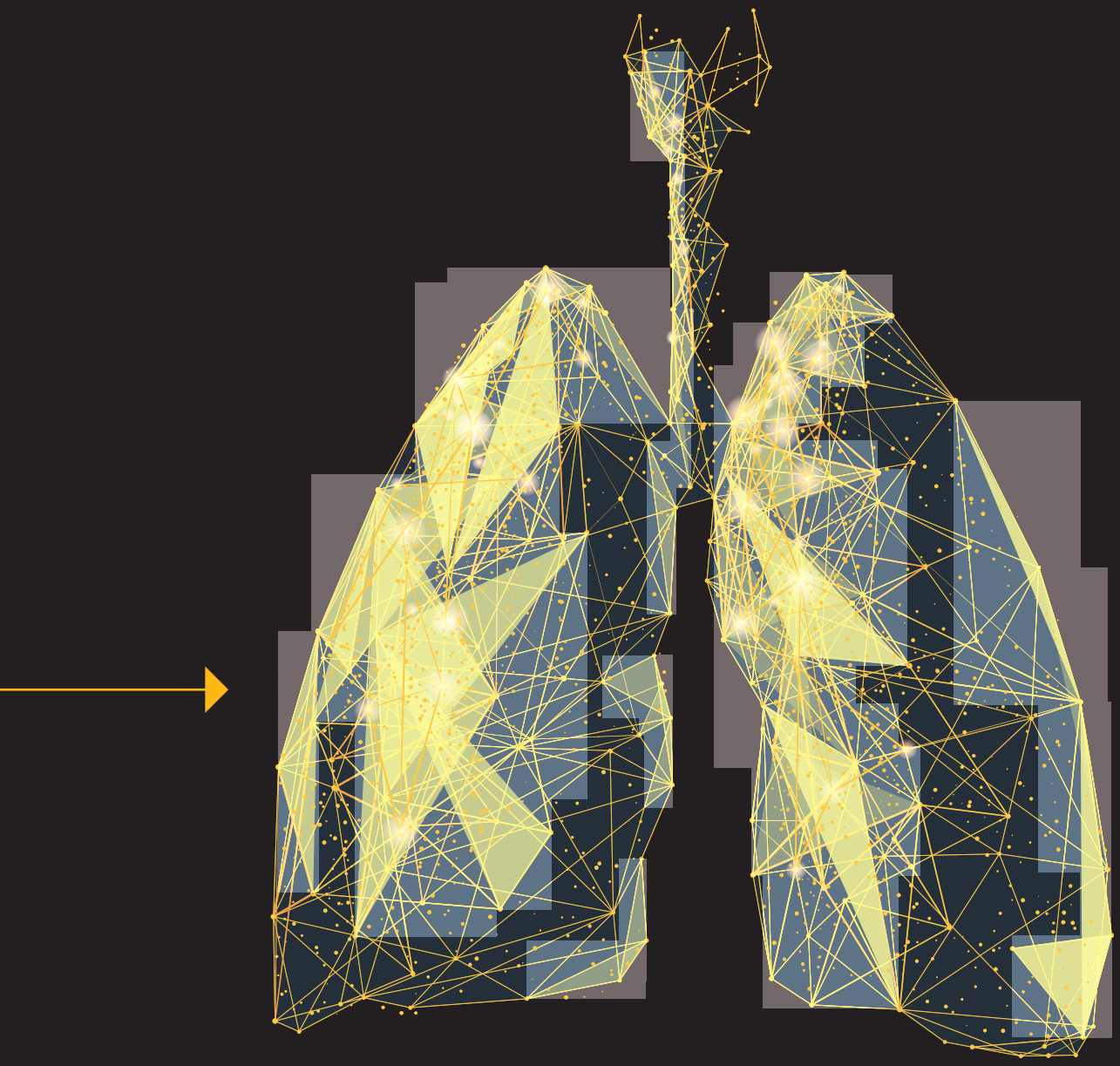


Third-party distribution consists of a mix of radiopharmaceuticals, capital equipment and associated consumables.

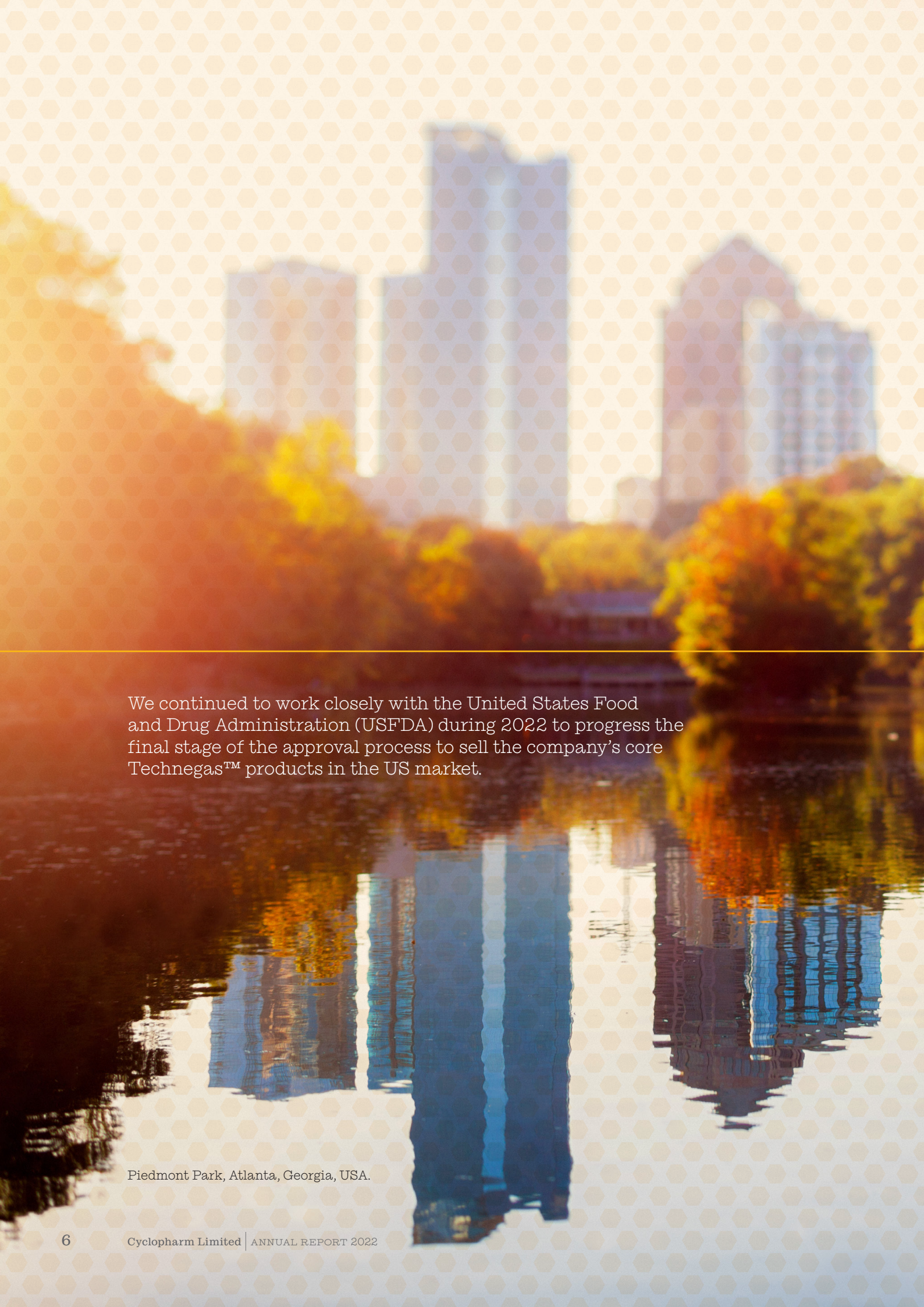
The third-party distribution business continues to reinforce a key pillar of the Company's growth strategy by developing additional revenue streams.

As part of its 'Beyond PE' initiatives Cyclopharm continues to sponsor several clinical trials that investigate new applications for Technegas™ including the diagnosis and monitoring of COPD, asthma, long-COVID, lung cancer and other respiratory disease states.

Cyclopharm estimates the global COPD market alone is approximately 30 times the size of the PE market and over 500 million patients suffering with COPD and asthma could benefit from the use of Technegas™.

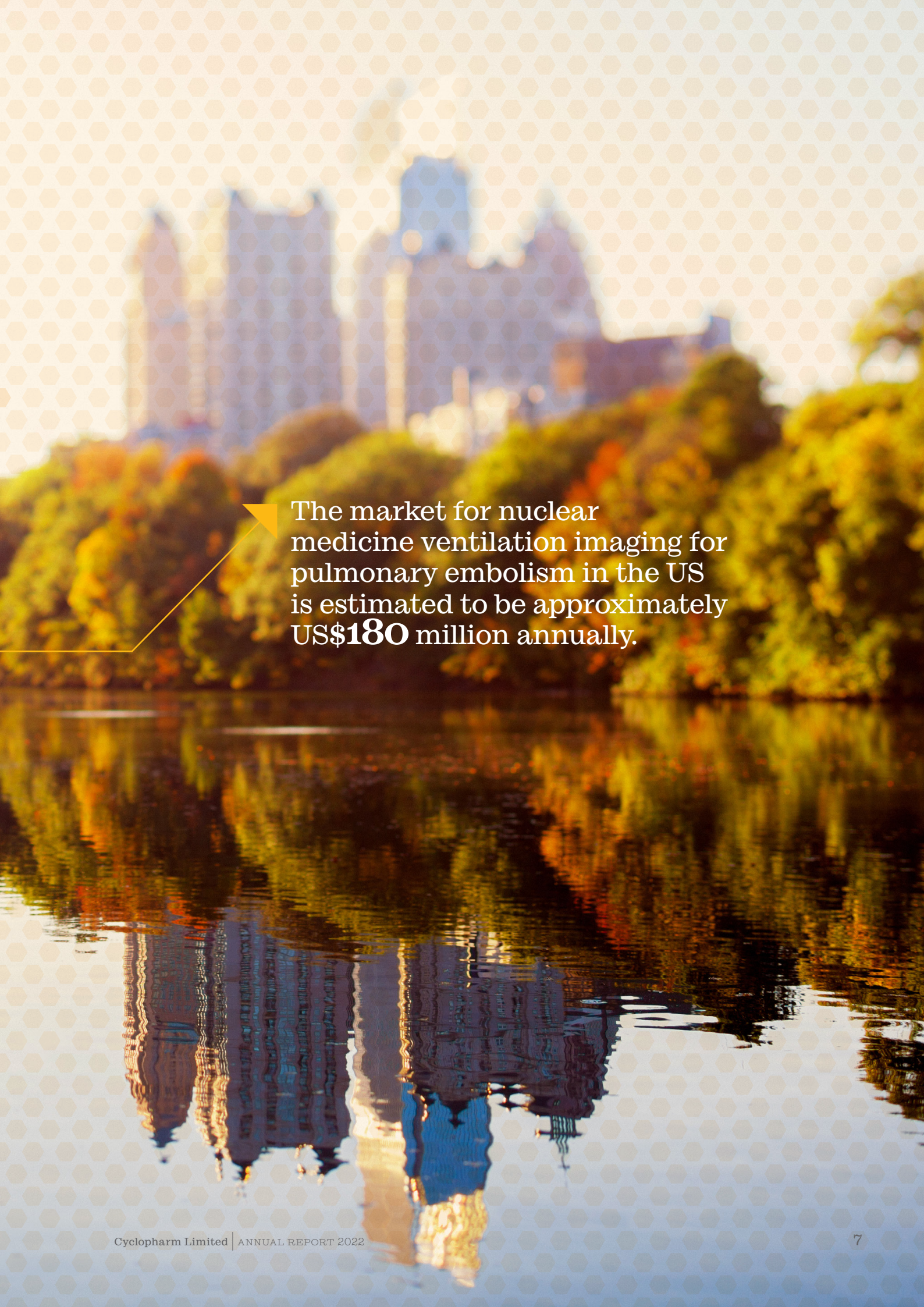


These markets represent significant opportunities to expand sales of Technegas™ and drive shareholder value over the medium term.



We continued to work closely with the United States Food and Drug Administration (USFDA) during 2022 to progress the final stage of the approval process to sell the company's core Technegas™ products in the US market.

Piedmont Park, Atlanta, Georgia, USA.



The market for nuclear medicine ventilation imaging for pulmonary embolism in the US is estimated to be approximately US$**180** million annually.

Chairman's Letter

Dear Shareholders,

Cyclopharm delivered another solid financial performance in 2022 and continued to make significant progress in executing our growth objectives.

Cyclopharm's record revenue performance in 2022, was driven by increased sales across all our business units but, in particular, our third-party distribution business which leverages our core strengths, while diversifying our revenue streams. This record performance was achieved despite some residual challenges and disruptions to our markets resulting from temporary shortages of Technetium, the isotope used to make Technegas™.

Throughout 2022, Cyclopharm demonstrated the resilience of our business and the financial benefits derived from revenue diversification, while we continued to support and advance our 'Beyond PE' growth initiatives. 'Beyond PE' aims to extend the use of Technegas™ into new and exponentially larger applications beyond its traditional Pulmonary Embolism market.

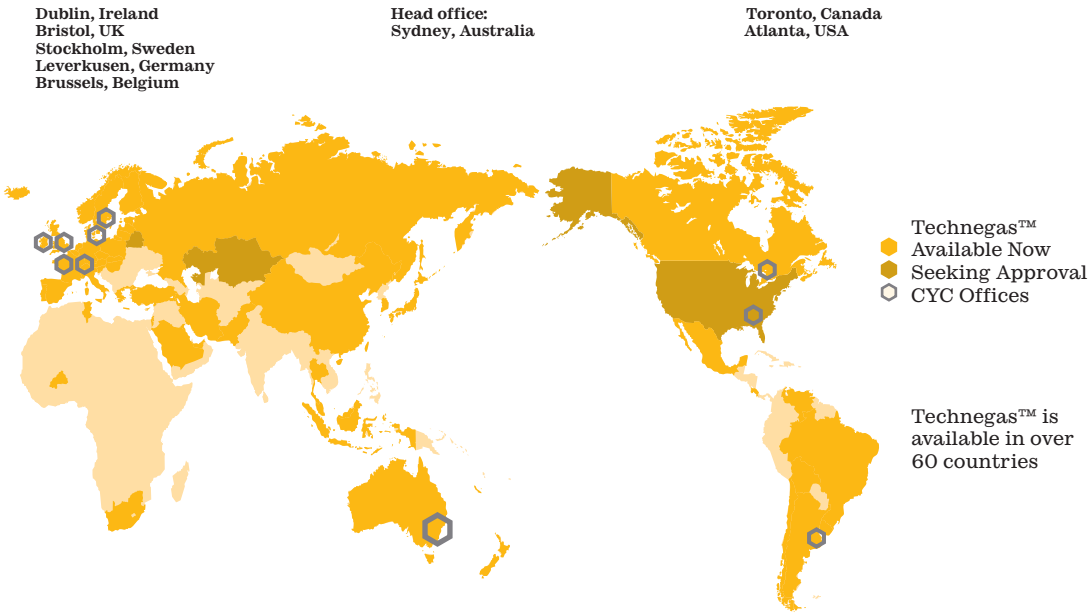
We continued to work with the United States Food and Drug Administration (USFDA) during 2022 to progress the final stage of the approval process to sell the company's core Technegas™ products in the US market. Supporting this approval process remains an ongoing focus for Cyclopharm as it represents a transformational business opportunity that is estimated to be worth US$180 million annually. During 2022 we addressed the definitive list of items and recommendations provided by the USFDA in their Complete Response Letter (CRL). Importantly, the additional information requested by the USFDA did not relate to the demonstrated efficacy and safety of Technegas™.

Post year-end, Cyclopharm submitted its reply to the CRL on 30 March 2023, and now awaits the USFDA's stated six-month formal submission review process. On that basis we anticipate attaining approval to commence commercial sales of Technegas™ in the US during 2023, which is consistent with previous expectations. As part of our preparations for a rapid commercialisation of Technegas™ in the US we continued to invest, during 2022, in building inventory and establishing sales capabilities and infrastructure.

Cyclopharm's third-party distribution business demonstrated significant growth in 2022 by leveraging our regulatory expertise and operational footprint to secure additional distribution agreements in Europe and the Asia-Pacific region. The third-party distribution business is a mix of radiopharmaceuticals and capital equipment with associated consumable and service revenue and continues to reinforce a key pillar of the Company's growth strategy by developing additional revenue streams. In 2022, the third-party distribution business contributed a substantial $9.2 million in revenue made up of $2.4 million from capital works projects and $6.8 million from consumable sales and services, up from $4.1 million in revenue for the prior year. In the current financial year, the Company plans to continue to grow third-party distribution revenue by establishing new partnerships and expanding into new markets.

Cyclopharm continued to sponsor several clinical trials into new applications for Technegas™, throughout 2022, as part of the 'Beyond PE' growth initiative. The potential uses of Technegas™ for managing 'Beyond PE' applications have been enhanced by the advent of improved nuclear medicine imaging techniques, cameras and software.

During 2022, Technegas™ was recognised in peer reviewed articles and abstracts for clinical applications that include long-COVID and lung cancer. The Company is confident that the clinical benefits seen in these early publications have the potential to materially expand the addressable market for Technegas™ globally.



In 2022, Cyclopharm renewed its Technegas™ CE mark under the updated European Medical Device Regulations (MDR), meaning Technegas™ may continue to be sold freely in any part of the European Economic Area. In addition, Cyclopharm renewed licensing under the Medical Device Single Audit Process (MDSAP) for participating countries to include Canada, Australia, Brazil, Japan and the USA.

Cyclopharm ended the 2022 financial year with a strong balance sheet and a cash balance of $20.3 million. Our cash balance combined with ongoing operational cash flows and prudent expense and capital management means we are appropriately capitalised to fund the ongoing USFDA approval process, the anticipated launch of Technegas™ into the US market, R&D activities and continuing organic growth.

We expect 2023 to be a milestone year for Cyclopharm. The anticipated commencement of Technegas™ sales in the US will significantly improve the underlying profitability of the Company. The availability of Technegas™ in the US is also expected to be a catalyst for the acceleration of 'Beyond PE' trials that have the potential to lead to exponential growth in the use of Technegas™ in additional clinical applications, including long-COVID and lung cancer alongside Chronic Obstructive Pulmonary Disease (COPD) and asthma. We are also anticipating continued strong growth in our third-party distribution business, underpinned by a return to normal growth patterns in sales revenue from our existing Technegas™ business, post-COVID.

In line with good corporate governance practice, Cyclopharm's Board continually evaluates its skills and composition to ensure they appropriately support the Company's growth and governance requirements. In September 2022, the Board appointed Mr. Kevin Barrow and Professor Gregory King as Non-Executive Directors. Dr. King is a world-renowned clinician and respiratory physiologist who brings over 25 years' experience as a clinician, educator and researcher to the Cyclopharm Board. Mr. Barrow brings to Cyclopharm more than 20 years of experience in the healthcare industry, which includes numerous governance and senior executive roles in both the pharmaceutical and diagnostic imaging equipment sectors.

Cyclopharm expects to enter a new growth phase in 2023 that will build on the record revenue performance; robust sales of Technegas™; continued growth in third-party distribution sales and the improved utilisation of the company's sales and service infrastructure globally in 2022.

In addition, Cyclopharm is well placed to extend its clinical leadership in lung imaging and drive ongoing growth in revenue and earnings, while remaining absolutely committed to delivering positive health outcomes for our patients and growing financial rewards to our shareholders.

On behalf of the Board, I thank our Managing Director, all our staff and wider stakeholders for their commitment to the company and I thank you, the shareholders, for your continuing support.

David Heaney
Chairman

Managing Director's Review

Key features of Cyclopharm's financial results for the 2022 year include:

- **Record Group Sales revenue** of $23.22 million, up 31.1% on the prior comparable period (pcp)
- **Technegas™ sales increased** by 4.1% to $13.66 million
- **Third-party distribution revenue** $9.22 million, more than double FY2021 revenue
- **Technegas™ at final stage of USFDA approval process**, on track, as previously advised, to submit its Complete Response Letter (CLR) reply in coming weeks, followed by an expected six-month formal submission review by the USFDA
- FDA approval expected in 2023, with significant commercialisation preparation progress achieved for rapid US rollout
- All regulatory renewals in existing markets under MDR[1] and MDSAP[2] achieved
- **Strong Balance Sheet** to fully fund growth strategy – $20.30 million net cash
- **R&D tax incentive payment** of $1.64 million received in November 2022
- **Continued progress in developing new, 'Beyond PE', clinical applications** providing significant, long term growth opportunities for Technegas™
- **Final dividend** maintained at 0.5 cents per share (cps), bringing total unfranked dividends for 2022 to 1.0 cps
- **Expanded Board** with the appointment of Mr. Kevin Barrow and Professor Gregory King as Non-Executive Directors

1. MDR- Medical Device Regulation – The recently implemented European Union regulatory framework for Medical Devices in support of CE accreditation
2. Medical Device Single Audit Program – A single audit regulatory framework that allows medical device manufacturers a compliance pathway for participating countries. Current country participants include Australia, Brazil, Canada, Japan and the United States

Dear Shareholders,

Cyclopharm delivered another solid financial performance in 2022 and continues to make progress on the execution of all of our four major growth objectives:

1 Grow

Grow Technegas™ sales

2 Expand

Expand the use of Technegas™

3 Leverage

Leverage core strengths to continue to accelerate our third-party distribution business

4 Develop

Identify, develop and commercialise complementary innovative technology

Against these objectives, during 2022, Cyclopharm continued to deliver record revenue performance and made significant progress towards United States Food and Drug Administration (USFDA) approval to commence US sales in 2023 of Technegas™, our core proprietary technology used in functional lung imaging.

Whilst actively progressing USFDA approval, the company continued to invest in further R&D and support of clinicians to expand the use of Technegas™ in new diagnostic applications as part of our 'Beyond PE' initiatives.

Our core Technegas™ products are now available in 64 countries, with 7 of our offices directly servicing 17 out of those countries. Cyclopharm will continue to leverage our expanding global footprint, regulatory expertise and direct marketing capabilities to grow global Technegas™ sales and to continue the rapid expansion of our successful third-party distribution partnerships business.

Financial performance

Despite the impact of residual effects of the COVID-19 pandemic and global supply chain disruptions, Cyclopharm generated record total sales revenues in 2022 of $23.22 million, up from $17.70 million on the prior year. Revenue from sales of Technegas™ generators and Patient Administration Set (PAS) consumables remained robust, attaining pre-COVID levels for the first time since the pandemic's onset, with unit sales of each exceeding those of 2021. This was achieved despite the global shortage of the isotope used to manufacture Technegas impacting the final quarter of 2022.

Technegas™ service revenue declined over the period, with generator servicing being affected by travel and access restrictions associated with COVID-19 in early 2022 and the gradual rebound in patient procedures. Nevertheless, consumable revenue continued to return towards pre-pandemic levels, increasing by just over 5% year on year, from $9.54 million to $10.04 million.

Cyclopharm continued to secure new third-party distribution agreements in 2023, providing a growing complementary source of revenue and profits. Our Asia-Pacific third-party distribution business delivered a surge in revenues to $4.16 million compared with $1.09 million in 2021, which was the first year we distributed third-party products in the Asia-Pacific region. In addition, earnings from our third-party distribution in Europe, which launched in 2020, grew to $4.92 million, up from $2.92 million in 2021. This growth has underpinned our revenue diversification strategy and during the year helped to offset the lingering impact of the pandemic and the isotope shortage in the closing months of 2022. Third-party distribution consists of a mix of radiopharmaceuticals, capital equipment and associated consumables. Cyclopharm expects to continue to expand this revenue stream through a wider range of third-party partnerships to a broader geographic reach in the coming year.

As anticipated, Cyclopharm recorded a loss after tax of $6.61 million, compared to $5.04 million in 2021. This figure included $2.97 million of expenses associated with the USFDA approval process in 2022. In total, $19.24 million has been expensed on the current USFDA approval process over the past 9 years, which reflects the Board's confidence in the anticipated returns from Technegas™ sales in the USA market. The net loss before tax of approximately $6.03 million in 2022, is up 38% from $4.35 million in 2021. This increase includes $0.95 million of legal costs from ongoing strategies to actively protect Cyclopharm's commercial interests in Europe and Australia. Staffing costs have also increased over the period by $0.31 million predominantly driven by the increasing costs of global regulatory compliance and USFDA readiness.

The results were further impacted by a significant increase in distribution costs. Distribution costs of $2.38 million were recorded in 2022, up from $0.72 million in 2021. This significant increase is the combined result of the pleasing growth in the distribution of third-party products and the negative impact the pandemic has had on manufacturing, distribution and logistics globally. Over the past few months, the Company has started to see some encouraging cost-base improvements in product movement as worldwide supply chains continue to recover.

Cyclopharm ended the financial year with a strong balance sheet and a cash balance of approximately $20.30 million, reflecting prudent expense and capital management supported by ongoing operational cashflows. This cash balance ensures the Company remains appropriately capitalised to fund its ongoing USFDA approval process, the anticipated launch of Technegas™ into the US market, R&D activities and working capital to fund continuing organic growth.

Cyclopharm received a Research and Development Tax incentive payment for the 2022 financial year of $1.64 million from the Australian Taxation Office in November 2022 (vs $2.3 million in 2021). Based on ongoing and planned research and development activities, Cyclopharm expects to receive an R&D tax incentive in respect of the 2023 financial year. The exact amount of any future R&D tax incentive is subject to the nature, timing and value of R&D activities undertaken each year, elements of which are outside of the Company's control.

Operations and strategy deliverables

During the year to 31 December 2022, we continued to successfully execute the Company's growth strategy of leveraging its significant intellectual property, technology and technical expertise to broaden sales and service into new countries and expanding end-use product applications and complementary businesses. While COVID-19 continued to interrupt many customers' activities, Cyclopharm continued to prioritise employee safety and welfare while executing our growth strategies.

Operating highlights for the year included:

- Response to USFDA CRL progressed during 2022 and was submitted on 30 March 2023. USFDA six-month review to follow.
- USFDA application to market and distribute Technegas™ in the United States is on track for final decision in 2023 with a rapid roll out of Technegas™ in the US thereafter.
- Preparation for US commercialisation, including personnel training and inventory build, is well advanced and continuing.
- Strong support for Technegas™ continues to be expressed from frontline US healthcare workers and clinicians based on superior clinical outcomes, operational efficiencies and an unprecedented safety profile.
- Continuation of pilot clinical trials targeting new applications for Technegas™ in chronic respiratory disease states and long-COVID-19, COPD, asthma and lung cancer.
- Technegas™ procedures continue to rebound following the impact from COVID-19 to pre-pandemic levels.
- The appointments of Mr. Kevin Barrow and Professor Gregory King, as Non-Executive Directors of Cyclopharm significantly enhances the skill-set of the Board and positions the Company for the next phase of growth.

Expand Technegas™ revenues

Technegas™ sales grew by 4.1% to $13.66 million, matching pre-pandemic levels.

3,347 **PAS** sets were sold, which is 268 more than the previous year. PAS sets sold increased solidly in our established markets of Europe and Canada, up 4% and 12% respectively. A decline in sales was recorded in Australia/New Zealand with other markets such as China (80 sets) and South Africa (60 sets) making a valuable contribution to the total. All other markets recorded gains in sales.

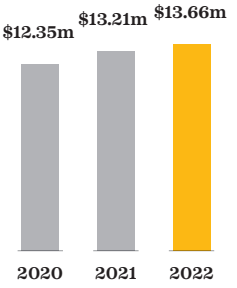
Canada remains the largest country market by volume with 923 PAS sets sold, followed by France with 700 PAS sets sold.

In total 76 **Technegas™ Generators** were sold compared to 57 sold in 2021. Europe, excluding France and Germany, accounted for 24 generators followed by 15 generator sales in Australia and New Zealand and 14 in Canada.

Sales of generators and other service revenue represented 27.0% of Technegas™ total revenue, down from 27.8% in 2021. The decrease was primarily a result of the relative strength of PAS sales over the period and some lag effects from the COVID-19 disruption.

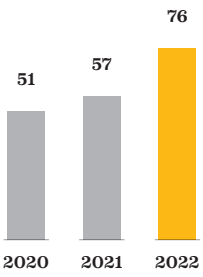
Sales of **Patient Administration Sets** (PAS) represented 73.0% of Technegas™ revenue (72.2% in FY21). Each box set of PAS is equal to 50 patient doses of Technegas™. Cyclopharm sold 3,347 PAS boxes (167,350 patient doses) in 2022 up 8.7% from 3,079 in 2021. In comparison, PAS Revenue was up 5.3%. The Group's sales of PAS sets, although effectively normalised by year end, were still impacted from the residual effect of the COVID-19 pandemic throughout the year, through a reduction in diagnostic procedures.

The Technegas™ division benefited significantly from the more than doubling of **third-party distribution** revenues to $9.22 million. Third-party revenue was driven by a strong performance in Europe and exceptional growth in the Asia-Pacific.

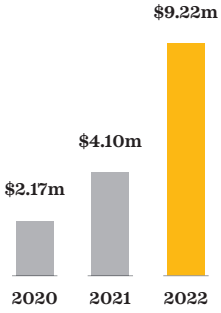


Technegas™ Sales ($m)

Technegas™ PAS Sales (units)



Technegas™ Generator Sales (units)



Third-party Distribution Revenues ($m)

Regional review

Europe

Europe was the best performing region in 2022, in terms of revenue, delivering sales of $12.49 million, up 9% on 2021.

- The European result benefited from $4.97 million of third-party distribution revenues, a 66% increase on the prior year.
- Underlying sales of Technegas™ products and services in Europe declined 12% to $7.52 million, driven by slightly weaker Generator and Service revenue, largely offset by stronger PAS sales across the board.
- In total 1,677 PAS sets were sold in Europe in 2022, up from 1,609 in 2021 and 31 generators were sold in 2022, down from 37 in 2021. PAS sales were down 8% in France, down 7% in Germany but up 3% in the rest of Europe, reflecting the uneven recovery in imaging services flowing from the COVID-19 pandemic.

Asia-Pacific

The Asia-Pacific region recorded a substantial rise in revenues, up 119%, from $3.26 million in 2021 to $7.13 million in 2022, primarily driven by a significant increase in third-party sales.

- Notwithstanding the strength in third-party sales revenue, Generator sales across the Asia-Pacific region were also strong at 29 units in 2022. Generator sales in Asia rose from 6 units in 2021 to 14 units in 2022. Australia/New Zealand unit sales lifted to 15 units in 2022 compared to 4 units in 2021.
- Asia-Pacific PAS sales of 609 sets in 2022 were up 4% from 588 in 2021.
- The residual impact of COVID-19 in suppressing the number of diagnostic procedures across the Asia-Pacific is starting to reverse, albeit modestly. The gradual resumption of non-urgent elective surgery in these markets is also providing a catalyst for the expectation of a continuing recovery in 2023.

Canada

Canada reported a solid recovery in sales of $2.96 million in 2022, up 21% compared to sales of $2.44 million in 2021.

- Canada saw generator sales rise by 5 to 14 in 2022 due to continuing market share penetration and
- PAS sales grew by 12% to 923 reflecting the reduced impact of COVID-19 and the strong market position in that jurisdiction.

Rest of the World

Revenue in South Africa and Latin America continued to deliver a modest, but growing, contribution to overall group sales revenue, with year-on-year growth up 233% to $0.30 million.

- In Latin America PAS sales were up 77% to 78 sets in 2022, however, there were no generator sales.
- In South Africa PAS sales rose strongly, up 275% to 60 sets in 2022 and there were two generators sold, up from one in 2021.

USFDA approval process

Cyclopharm continues to progress toward attaining USFDA approval to commence commercial sales of Technegas™ in the US market in 2023.

The US market represents an opportunity for Cyclopharm to significantly increase sales of our Technegas™ product suite. The impact of the COVID-19 pandemic in the USA has been a catalyst for expressions of support for Technegas™ to include a request for Fast Track Approval of the technology from US medical professionals along with hundreds of formal expressions of interest. This high level of support reinforces the Board's expectation there will be strong initial demand for Technegas™ following USFDA approval.

Entry into the US market will also accelerate opportunities to explore the expansion of the use of Technegas™ into the treatment and management of additional and much larger indications, such as COPD, asthma and long-COVID.

Sales by region

		2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	Change 2021 to 2022
Technegas™	**Canada**	2.14	2.55	1.76	2.44	2.96	21%
	Europe	8.35	8.74	8.27	8.51	7.52	(12%)
	APAC	–	2.35	2.26	2.17	2.88	33%
	Rest of the World	2.66	0.44	0.06	0.09	0.30	233%
Third-party Sales	**Europe**	–	–	2.17	3.00	4.97	66%
	APAC	0.25	–	–	1.10	4.25	286%
Total		**13.40**	**14.08**	**14.52**	**17.31**	**22.88**	**32%**

In April 2021, the USFDA conducted a site inspection of the Company's Kingsgrove facility. As part of the inspection process, the Company is required to provide bimonthly updates. To date there has been twelve submissions to the USFDA delivering objective evidence highlighting the progress the company has made in response to the inspection. Some of the more substantial initiatives have included a facility upgrade to an ISO 8 standard and the extraction and recording of real-time data from bespoke legacy manufacturing equipment. These bimonthly updates will continue until US approval is received.

As previously disclosed, in June 2021 Cyclopharm received a Complete Response Letter (CLR) from the USFDA. The letter outlined a definitive list of items and recommendations that are required to be addressed prior to granting approval for commercial sales of Technegas™ in the US market. The additional information request from the USFDA does not relate to the demonstrated efficacy and safety of Technegas™.

As earlier advised, the Company met with the USFDA in late January 2022 to seek additional guidance and clarification for items listed in the CRL. Despite experiencing some impediments, most notably delays in securing critical instrumentation early in 2022 and a global shortage of the isotope used to produce Technegas™ at the end of 2022, Cyclopharm has overcome these obstacles and submitted its response to the USFDA on 30 March 2023. The Company remains confident of commencing sales in the US market in late 2023 following the FDA's stated six-month formal submission review process.

US market entry and sales model

Cyclopharm continued to undertake numerous activities to ensure it is well placed to rapidly commercialise Technegas™ in the USA once USFDA approval has been achieved. These activities include building inventory reserves by $2.78 million to $8.29 million at December 2022. In addition Cyclopharm is pursuing agreements for third-party distribution, service and installation, and administrative support for Technegas™ in the US market.

It is very important to emphasize that reimbursement for Technegas™ is based on established nuclear medicine procedures that are agnostic to the approved agents being used. Therefore, Technegas™ will be reimbursable utilising existing procedural codes.

The existing market for PE in the USA is estimated to be

US$180 million

annually

The initial existing market for nuclear medicine ventilation imaging in the USA for pulmonary embolism alone is estimated to be approximately US$180 million annually and the Company will be active in two stages. The first stage is the current addressable market of US$90 million, representing approximately 600,000 individual procedures. Based on Cyclopharm's experience in the Canadian market, it remains confident that Technegas™ can achieve a 50% share of the USA market over two to three years, post US market entry, with an 80% share representing around 480,000 procedures per annum achievable over a 5 to 7-year period.

The second stage of converting the US$180 million market is through increasing the pulmonary embolism diagnostic market imaged through nuclear medicine from 15% to 30%. In the USA, 85% of all imaging to rule out PE is performed with CTPA. Based on global experience, the unique properties of Technegas™ and the reliability of imaging outcomes enabled by our product, it is projected that the USA nuclear medicine market will adopt the 3-D imaging technique referred to as Single Photon Emission Tomography (SPECT) as opposed to the current 2-D imaging or Planar Imaging. SPECT imaging provides superior outcomes to both Planar and CTPA in the diagnosis of PE.

Regulatory approval in existing markets achieved

Cyclopharm is pleased to advise that during 2022 the Company renewed its Technegas™ CE mark under the updated European Medical Device (MDR) Regulations. This achievement demonstrates Technegas™ conforms to rigorous European health and safety standards and may continue to be sold freely in any part of the European Economic Area.

In addition, during 2022 Cyclopharm renewed licensing under the Medical Device Single Audit Process (MDSAP) for participating countries to include Canada, Australia, Brazil, Japan and the USA.

'Beyond PE' – substantially expanding the use of Technegas™

Cyclopharm is confident that the extension of Technegas™ into new applications such as the diagnosis and monitoring of COPD, asthma, long-COVID, lung cancer and other respiratory disease states will create substantive opportunities globally to exponentially expand the market for Technegas™ beyond its traditional PE market. In 2022 we invested $0.15 million in Beyond PE trials, which follows on from $0.21 million invested in 2021.

Technegas™ remains the recognised functional ventilation imaging agent used in diagnosing Pulmonary Embolism as referenced in both the recently published Canadian Association of Nuclear Medicine Guidelines and the updated 2019 European Association of Nuclear Medicine Guidelines. Both guidelines reinforce the superior use of Technegas™ particularly in patients with COPD and the potential for nuclear medicine imaging.

Cyclopharm estimates the global COPD market alone is approximately 30 times the size of the PE market and over 500 million patients suffering with COPD and asthma could benefit from the use of Technegas™ in diagnosis and ongoing patient monitoring/management. These markets represent significant opportunities to expand sales of Technegas™ and drive shareholder value over the medium term.

As part of its Beyond PE initiatives Cyclopharm continues to sponsor several clinical trials that investigate new applications for Technegas™. The Beyond PE trials were impacted by COVID-19, particularly during 2020-2021, with a reduction in the rate of patient recruitment. Those conditions eased during the course of 2022 as patient recruitment recommenced.

The diagnosis and monitoring of COPD, asthma and other respiratory disease states, are all being considered. Those 6 clinical trials are listed below:

Study	Indication	Status
Hunter Medical Research Institute (Newcastle, AU)	100 Patient Study into the diagnosis and response to therapy in severe asthma and COPD[1]	⬢ Imaging Analysis Underway ⬢ Case Study Published ⬢ Data analysis underway ⬢ Targeting presentation of data at the ERS Sept 2023 Annual Conference
Woolcock Institute (Sydney, AU)	Diagnosis and response therapy in mild to moderate COPD[2]	⬢ 25 Patient / 75 Scan Protocol ⬢ 19 Patients enrolled ⬢ 73% Total Protocol Scans Completed
CHUM (Montreal, CA)	Early detection of COPD in asymptomatic smokers[3]	⬢ 30 Patient Study ⬢ 100% Recruited ⬢ Analysis complete ⬢ Manuscript at final review stage
Dalhousie (Halifax, CA)	Post-lung transplant patients	⬢ 30 Patient Study ⬢ 30% Recruited ⬢ Recruitment has resumed following a COVID-19 hold
McMaster University Firestone Institute (Hamilton, CA)	Ventilation in lung cancer patients pre and post lung resection[4]	⬢ 58 Patients (116 scans) ⬢ 100% Recruited ⬢ Abstract presented at American Thoracic Society May 2022 ⬢ Manuscript submitted for publication ⬢ Abstract submitted for ISMRM & ISMRT June 2023 Annual Conference
McMaster University Firestone Institute (Hamilton, CA)	COVID-19 Related Lung Ventilation and Perfusion Injury[5]	⬢ 42 patients (84 scans) ⬢ Recruitment to close ⬢ Manuscript being drafted ⬢ Abstract presented at the American Thoracic Society May 2022 ⬢ Abstract submitted for ATS May 2023 Annual Conference

1. ACTRN12617001275358 - Can functional lung ventilation imaging identify treatable traits in obstructive airway disease?
2. http://investor.cyclopharm.com/site/PDF/1561_0/BetterDefiningAirwaysDiseasewithTechnegas
3. https://ichgcp.net/clinical-trials-registry/NCT03728712
4. https://clinicaltrials.gov/ct2/show/NCT04191174?term=technegas&draw=2&rank=3
5. https://clinicaltrials.gov/ct2/show/NCT04549636

During 2022 the Company continued to receive enquiries from clinical sites in the USA who were interested in conducting additional trials on Technegas™, including applications associated with patients who had contracted COVID-19. Advancing these initiatives could expand the use of Technegas™ by improving the management of patients with COPD; other small airways diseases and those who are recovering from Long-COVID.

Other businesses

Third-party distribution

Cyclopharm has leveraged its regulatory expertise and operational footprint to establish a third-party distribution business that is delivering exceptional growth. The Company entered into third- party distribution agreements for Europe in 2020, followed by agreements in the Asia-Pacific region in 2021. In 2022, the third-party distribution business more than doubled its revenue contribution in 2022 at solid, albeit lower, margins than Cyclopharm's proprietary Technegas™ products.

These complementary third-party revenue streams supported Cyclopharm's overall revenue performance in 2020 and 2021, which were the years when the COVID pandemic had its most profound impact on our Technegas™ business. The continued and substantial growth of the Company's third-party distribution business in 2022 demonstrates that it is now delivering a material contribution to the overall business.

Third-party revenue is a combination of capital works projects and ongoing sales from consumables and related service support. Of the total $9.2 million third-party revenues generated in 2022, capital works projects equalled $2.4 million with the ongoing revenues of associated with recurring consumable sales and service equating to $6.8 million.

These growing third-party partnerships continue to reinforce the Company's strategy of pursuing additional and complementary revenue streams. Initially introduced to leverage off our Technegas sales and service infrastructure, this initiative is now providing a material contribution to the Company's earnings and revenue and is emerging as a core part of the business.

Commercialising new technologies – Ultralute™

Cyclopharm's proprietary Ultralute™ technology extends the useful life of Molybdenum-99 (Mo-99) generators by up to 50%, improves operating efficiencies in nuclear medicine departments and can lead to better health outcomes for patients.

Changes to Medical Device Regulations in the European Union (EU) required recertification of existing medical devices against more onerous standards. This process has dramatically slowed the introduction of new products into the EU with the result that the registration of Ultralute™ in Europe was not completed in 2022, and consequently there were no revenues from the sale of Ultralute™.

Cyclopharm is engaging regulatory partners in Europe to progress this initiative.

Macquarie Medical Imaging

Cyclopharm continues to maintain its 20% equity ownership in Macquarie Medical Imaging (MMI). It is anticipated that MMI will be de-registered upon the finalisation of its accounts payable and receivables.

Cyclotek NSW Pty Ltd

During the year, Cyclotek NSW Pty Ltd made a $0.34 million positive contribution to the Group's results. Cyclotek NSW Pty Ltd is a collaboration between Cyclopharm, Cyclotek (Aust) Pty Ltd and the Australian Nuclear Science and Technical Organisation (ANSTO') set up in part to realise the inherent value of Cyclopharm's legacy Cyclotron assets both to generate profits and contribute to enhanced health outcomes for the Australian community.

Cyclotek NSW Pty was formed as a joint venture in late 2019, with Cyclopharm required to contribute $40k per annum, over a period of 9 years, to fund the ongoing research activities of Cyclotek NSW in exchange for a share of profits from the business venture collaboration.

Ongoing Litigation

Throughout 2022 Cyclopharm continued to defend its valuable Intellectual Property vigorously and successfully. In 2019, the Company successfully brought an initial civil case against its former employee in the German market, Mr Bjorn Altmann and Almedis Altmann GmbH ("Almedis").

A further judgement totalling approximately €0.4 million in favour of Cyclopharm was handed down in Germany against Mr Altmann in December 2022. Given the timing of receipt of the official judgment and further consequential court actions required to be taken in January 2023 to enable enforcement of the judgment award, this favourable outcome is an event subsequent to the close of 2022 financials. As a consequence, the financial benefit will be recorded in 2023.

Litigation expenses were $0.95 million in 2022 compared to $1.09 million in 2021. The Company continues to defend its intellectual property in German and Australian courts, good progress is being made to resolve each matter, and the Company is confident that legal proceedings will conclude in 2023.

Corporate Governance

In line with good corporate governance practices, Cyclopharm's Board continually evaluates its skills and composition to ensure they appropriately support the Company's growth and governance requirements.

In September 2022, the Board appointed Mr. Kevin Barrow and Professor Gregory King as a Non-Executive directors. Dr. King is a world-renowned respiratory physiologist who brings over 25 years' experience as a clinician, educator and researcher to the Cyclopharm Board. Mr. Barrow brings to Cyclopharm more than 20 years of experience in the healthcare industry, which includes numerous governance and senior executive roles in both the pharmaceutical and diagnostic imaging equipment sectors.

Leadership Team

Cyclopharm's focus on its strategic pillars has allowed the Company to grow and secure a talented team in readiness for USFDA approval for Technegas™. Approval in the US market will create both a step change in the business' financial and operational performance as well as mark a new phase in the growth of the business.

The breadth and depth of experience and the integration of complementary skills across the Cyclopharm management team, which we have put in place, developed and refined over the past several years, ensures that we are well positioned to rapidly take advantage of entry into the US market and the opportunities that will naturally flow from our Beyond PE initiatives.

Summary and outlook

Cyclopharm has again proved the resilience of the business by delivering another record revenue performance in 2022 despite the latent effects of the COVID-19 pandemic which impacted the level of patient procedures across the globe particularly in the first half of the financial year. Our ability to substantially grow third party sales underpinned an improving performance from our core Technegas™ business and delivered on our strategy of revenue diversification across the group.

As a result, we were able to deliver record revenues and earnings that support our ability to maintain dividend payments.

During 2022 we continued to focus on securing approval from the USFDA to commence sales of Technegas™ in the US market in 2023, consistent with previous expectations. Entry into the USA market is our most significant near-term growth catalyst and represents an opportunity for Cyclopharm to significantly increase sales of our Technegas™ product suite. In preparation for a rapid entry into the US market the Company has been building our inventory along with US sales capabilities and infrastructure. The Company's strong balance sheet and cash balance at year end of $20.3 million means we are fully funded for an expected entry into the US market in 2023, following a successful conclusion to the process for USFDA approval of Technegas™.

We are also continuing to accelerate opportunities, via clinical trials, to develop our Beyond PE strategy, designed to expand the use of Technegas™ into the treatment and management of additional and exponentially larger indications, such as COPD, Asthma and Long-COVID. Cyclopharm estimates there are over 500 million patients suffering each with COPD and Asthma who may benefit from the use of Technegas™ and that the global COPD market is approximately 30 times the size of the PE market. The Company remains confident that expectations of trial results being published in the first half of 2023 will be met.

Cyclopharm is well placed to extend its market leadership in lung imaging and drive ongoing growth in revenue and earnings. The Company is poised to enter its next growth phase in 2023 from a position of strength, having delivered record 2022 sales revenues, robust sales of Technegas™ and continuing strong growth in third party sales. Our strong capital position means we are able to maintain a consistent dividend policy with the final dividend for 2022 maintained at 0.5 cents per share (CPS), giving a total dividend for 2022 to 1.0 cps. The Company expects to commence sales in the USA in 2023, a major catalyst for growth, alongside its well established and profitable existing operations in 64 different countries.

Finally, I thank all my colleagues, the Cyclopharm Board, with a special thanks to my entire global team, who collectively have contributed to the growth of the Company over recent years. On behalf of the Cyclopharm management team, with the ongoing support of the Board, we are absolutely committed to delivering positive health outcomes for our patients and growing financial rewards to our shareholders.

James McBrayer
Managing Director

Directors' Report

The Directors of Cyclopharm submit their report for the year ended 31 December 2022.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

Mr D J Heaney

Non Executive Chairman (Independent)

Mr Heaney was appointed to the Cyclopharm Board on 20 November 2006 and is currently the Chairman of Cyclopharm and Chairman of the Remuneration and Board Nomination Committees. He was formerly Chairman of the Audit and Risk Committee until 28 February 2019. Mr Heaney has been re-appointed as acting Chairman of the Audit and Risk Committee effective 1 December 2021.

Mr Heaney has also served as a Non-Executive Director of a number of ASX-listed and non-listed companies.

Mr Heaney has more than 40 years experience in all aspects of wholesale banking and finance, gained in general management roles with National Australia Bank Limited and subsidiary companies in both Australia and the US.

Mr J S McBrayer

Managing Director and Company Secretary

BSPharm, GDM, FAICD, AIM

Mr McBrayer has been a member of the Board since 3 June 2008 at which time he accepted the role of Managing Director. Mr McBrayer serves as a member of the Board Nominations Committee.

Mr McBrayer has more than 30 years experience in nuclear medicine and is a trained Nuclear Pharmacist. Mr McBrayer held the role of Managing Director at Lipa Pharmaceuticals, Australia's largest contract manufacturer of over-the-counter products and senior management positions with Brambles Cleanaway business and Syncor, the world's largest radioactive diagnostic and therapeutic pharmaceutical provider.

Ms D M Angus

Non Executive Director (Independent)

B.Sc (Hons), M.(Biotechnology)

Ms Angus was appointed to the Board on 10 August 2021. She holds a Master of Biotechnology, Bachelor of Science (Hons) and a Graduate Diploma of Intellectual Property Law. Ms Angus is a registered patent attorney and a member of the Institute of Company Directors.

Ms Angus is currently a Non-Executive Director of ASX Listed Companies Imagion Biosystems Limited and Neuren Pharmaceuticals Limited. She brings deep executive experience in the Biotechnology industry and has previously held senior positions with Prana Biotechnology Limited (now Alterity Therapeutics) and Florigene Limited. Ms Angus also has wide expertise in corporate strategy, innovative product development, governance and compliance in the pharmaceutical sector.

Mr K M J Barrow

Non Executive Director (Independent) (appointed on 1 September 2022)

M.Sc (Hons), MBA

Mr Barrow was appointed to the Board on 1 September 2022. He brings to the Cyclopharm board more than 20 years of experience in the healthcare industry, which includes numerous governance and senior executive roles.

Mr Barrow is currently Chief Executive Officer of the Butterfly Foundation, Australia's national charity providing clinical services and support to address eating disorders and body image issues. Prior to this role, Mr Barrow was the Managing Director at Philips Australia and New Zealand overseeing all Philips' operations in the region, while also direct General Manager for the Healthcare division, a leader in cardiac care, acute care and home healthcare.

Mr Barrow joined Philips from BD, (Becton, Dickinson and Company), a leading global medical technology company that develops, manufactures and sells medical devices, instrument systems and reagents. Mr Barrow was the Managing Director for BD Australia and New Zealand a market leader in the Medical, Diagnostic and Lifescience sector. Prior to this, Mr Barrow held several senior sales and marketing management roles at pharmaceutical company Eli Lilly.

Mr Barrow is a non-executive director of Wandi Nerida, Australia's first residential recovery centre for people affected by an eating disorder and was previously Chair of the Medical Technology Association of Australia (MTAA), where he was a director between 2009 and 2014.

Professor G G King

Non Executive Director (Independent) (appointed on 27 September 2022)

MB ChB, PhD, FRACP

Professor King was appointed to the Board on 27 September 2022. Dr. King is a world-renowned clinician and respiratory physiologist who brings over 25 years' experience as a clinician, educator and researcher to the Cyclopharm board.

Dr. King is Professor of Respiratory Medicine at the Northern and Central Clinical Schools of the University of Sydney. He is also the Staff Specialist in the Department of Respiratory Medicine at Royal North Shore Hospital, where he directs the asthma service and is the Medical Director of the Respiratory Investigation Unit, and the Research Leader of the Airway Physiology and Imaging Group at the Woolcock Institute of Medical Research. In addition, Dr. King supervises PhD and other postgraduate students at the University of Sydney.

Dr. King has investigated the mechanics of airways disease in relation to clinical aspects of disease. His expertise includes complex measurements of airway and lung function, including the use of Cyclopharm's Technegas™ in numerous research initiatives since 1997. He has a clinical and research interest in asthma, COPD and bronchiolitis in haemopoietic stem cell transplant recipients. His research is designed to better understand and manage airways diseases, with the ultimate objective of developing cures.

Mr J S McBrayer

Company Secretary

Mr McBrayer was appointed as Company Secretary on 25 March 2011.

Interests in the shares and options of the Company and related bodies corporate

The number of ordinary Cyclopharm shares and options on issue held directly, indirectly or beneficially, by Directors, including their personally-related entities as at the date of this report is as follows:

	Interest	As at report date No. of shares	As at report date No. of options
Directors			
Mr D J Heaney	BI	270,000	–
Mr J S McBrayer	BI	5,109,580	200,000
Ms D M Angus	BI	10,000	–
Mr K M J Barrow	NBI	10,000	–
Professor G G King	BI	–	–
		5,399,580	**200,000**

BI: Beneficial interests
NBI: Non beneficial interests

Dividends

On 20 February 2023, the Directors declared a final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2022, to be paid on 4 April 2023 to those shareholders registered on 28 March 2023. An interim unfranked dividend of 0.5 cents per share was paid on 12 September 2022.

A final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2021 was paid on 12 April 2022.

The balance of franking credits available for future dividend payments is $1,059.

Principal Activities

During the year, the principal activities of the consolidated entity consisted of the manufacture and sale of medical equipment and radiopharmaceuticals, including associated research and development and distribution of third-party products to the diagnostic imaging sector.

There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating and Financial Review

Operating results for the year

For the financial year, Cyclopharm recorded a consolidated loss after tax of $6,611,515. Loss after tax from the operations of the Technegas™ division was $6,960,043.

Technegas™ divisional revenue of $22,878,333 was 32.2% higher than the previous year (2021: $17,312,091) with $9,215,071 (2021: $4,098,985) from distributing third-party products to the diagnostic imaging sector.

Technegas™ division loss before tax of $6,410,559 (2021: $4,651,577) recorded an unfavourable variance of $1,758,982 impacted by a significant increase in distribution costs. Distribution costs of $2.38 million were recorded in 2022, up from $0.72 million in 2021. This significant increase is the combined result of the growth in the distribution of third-party products and the negative impact the pandemic has had on manufacturing, distribution and logistics globally. Employee benefits expense was higher at $9,081,003 (2021: $8,848,778) reflecting ongoing investment in human capital to meet global regulatory requirements which includes compliance to USFDA guidelines. USFDA clinical trial costs totalling $2,973,729 (2021: $1,303,372) also contributed to the Technegas™ division loss before tax.

Income from the business venture collaboration contributed $340,464 to total revenue, down from $392,483 in 2021.

Financial position

Net assets decreased to $36,536,610 at 31 December 2022 (2021: $43,067,734) impacted by the net loss after tax of $6,611,515.

Net cash balance was $20,296,176 at 31 December 2021.

Further details of Cyclopharm's Operating and Financial Review are set out on pages 10 to 19 of the Managing Director's Review.

Significant changes in state of affairs

Shares issued and cancelled during the year

320,997 lapsed Long Term Incentive Plan shares were cancelled on 4 October 2022. There were no other shares issued and cancelled during the year.

Options issued during the year

No options were issued and cancelled during the year.

Other than as set out above, there were no significant changes in the state of affairs of the Cyclopharm Group during the year.

Significant events after balance date

Final dividend

On 20 February 2023, the Directors declared a final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2022, payable on 4 April 2023.

Shares issued

On 23 March 2023, 642,500 long term incentive plan shares were issued at an exercise price of $1.82 per share.

Ongoing litigation

A further judgement totalling approximately Euro 0.4 million in favour of Cyclopharm was handed down in Germany against Mr Altmann in December 2022. Given the timing of receipt of the official judgment and further consequential court actions required to be taken in January 2023 to enable enforcement of the judgment award, this favourable outcome is an event subsequent to the close of 2022 financials. As a consequence, the financial benefit will be recorded in 2023.

No other matters or circumstances have arisen since the end of the financial year, 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.

Likely developments and future results

Technegas™

The opportunities for developing additional Technegas™ indications, particularly for asthma and COPD, will continue to be a key priority. If successful, there is significant potential to expand Technegas'™ revenue and profitability over the medium to longer term.

The Directors maintain their view that FDA approval to sell Technegas™ into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability.

The Company remains confident of commencing sales in the US market in late 2023 following the lodgement of Cyclopharm's reply to the Complete Response Letter on 30 March 2023 and the USFDA's stated six–month formal submission review process.

In preparation for a rapid entry into the US market the Company has been building inventory along with US sales capabilities and infrastructure. The USA presents Cyclopharm with a transformational market opportunity estimated at US$180 million annually for pulmonary embolism.

Ultralute™

Cyclopharm is currently seeking to register Ultralute™, in Europe, as a medical device to support better acceptance of this new first in class technology. Changes to Medical Device Regulations in the European Union (EU) required recertification of existing medical devices against more onerous standards. This process has dramatically slowed the introduction of new products into the EU with the result that the registration of Ultralute™ in Europe was not completed in 2022, and consequently there were no revenues from the sale of Ultralute™.

Cyclopharm is engaging regulatory partners in Europe to progress this initiative. Further details are set out on page 17 of the Managing Director's Review.

Third-party distribution

Cyclopharm has leveraged its regulatory expertise and operational footprint to establish a third-party distribution business that is delivering exceptional growth. Third-party revenue is a combination of capital works projects and ongoing sales from consumables and related service support.

These growing third-party partnerships continue to reinforce the Company's strategy of pursuing additional and complementary revenue streams. Initially introduced to leverage off our Technegas™ sales and service infrastructure, this initiative is now providing a material contribution to the Company's earnings and revenue and is emerging as a core part of the business.

Material business risks

The Directors have identified the following material business risks which may, if they eventuate, substantially impact on the future performance of the Cyclopharm Group, along with its approach to managing these risks. The risk factors listed below are not exhaustive. Additional risks may also adversely affect the financial performance of Cyclopharm.

Regulatory

Future expansion of Cyclopharm's range of products and services may be governed by regulatory controls in each target market and it is not possible for Cyclopharm to guarantee that approvals in all target markets will be obtained and maintained in the future.

The Technegas™ System is required to be registered with the relevant regulatory bodies in each country or relevant jurisdiction. If for any reason such product registrations are withdrawn, cancelled (or otherwise lose their registered status) or are not renewed, it may have a significant effect on the sales of products which rely on them in the relevant country or countries.

The manufacture of Technegas™ does not involve the emission of any environmentally sensitive materials and the Cyclopharm Group is not required to hold any environmental licence or consent under the *Environmental Protection Act* (Cth). However, in order to expand the Company's research and development capabilities, in 2018, Cyclopharm secured a Radiation Management Licence from the NSW EPA to sell, possess or store regulated materials.

It is possible that licensing requirements could change with the development of new products and any additional regulatory requirements could impact upon the profitability of the group.

The Cyclopharm Group has obtained:

- a listing on the Australian Register of Therapeutic Goods Register for the Technegas™Plus Technegas™ Generator and the Patient Administration Set (radio-aerosol administration set);
- CE Mark approvals under the more stringent European Medical Device Regulations for Technegas™Plus Technegas™ Generator and Patient Administration Set (PAS) of the Technegas™ System;
- a Marketing Authorisation for the Pulmotec™ carbon crucible, which is the drug (medicine) aspect of Technegas™ in Europe;
- a Medical Device Single Assessment Program (MDSAP) certificate; and
- Notified Body recognition that our Quality Management System (QMS) complies with the requirements of ISO13485:2016 for the design, manufacture, installation and repair service of the Technegas™ System.

Ongoing regulatory audits/inspections are necessary for the retention and re-certification of the above-named certificates/licences for continued international distribution of the Technegas™ System.

In 2022, the Company renewed its Technegas™ CE mark under the updated European Medical Device (MDR) Regulations. This achievement demonstrates Technegas™ conforms to rigorous European health and safety standards and may continue to be sold freely in any part of the European Economic Area.

In addition, during 2022 Cyclopharm renewed licensing under the Medical Device Single Audit Process (MDSAP) for participating countries to include Canada, Australia, Brazil, Japan and the USA.

Cyclopet Pty Limited, which is involved in the operations of the cyclotron, is subject to significant environmental regulations under the Radiation Control Act, 1990 by the Department of Environment, Climate Change and Water.

Competition

To date, Cyclopharm has demonstrated that it can compete effectively in the medical equipment/drug market in Australia and many other parts of the world.

The medical equipment/drug industry is very competitive and characterised by large international companies supplying much of the global market requirements. The emergence of new and/or unauthorised generic technologies could in certain circumstances make the Technegas™ System redundant or negatively impact on the Cyclopharm Group's plans to develop its Ultralute™ business.

Accordingly, there is a business risk in that Cyclopharm's key revenue source from the Technegas™ System could be severely disrupted or reduced. There are products that do compete with Technegas™, in particular Computed Tomography and DTPA. These products could replace Technegas™ and therefore negatively impact Cyclopharm Group's revenue and profitability. The Directors note that the lengthy periods it takes to achieve regulatory approval and gain medical practitioners' approval and acceptance of new or generic products, Cyclopharm Group's reputation for timely and quality service, the safety record of Technegas™ and its competitive pricing, mitigate these risks.

In addition, the Cyclopharm Group's business plan and stated strategy is to continue to develop sales in new and existing international markets and to develop new diagnostic purposes for Technegas™.

Reputation

The performance of Cyclopharm Group's products is critical to its reputation and to its ability to achieve market acceptance of these products. Any product failure could have a material adverse effect on Cyclopharm Group's reputation as a supplier of these products. Technegas™ has had no contraindications or serious attributable adverse patient events since the commencement of sales.

Disruption of Business Operations

As a manufacturer, the Cyclopharm Group is exposed to a range of operational risks relating to both current and future operations. Such operational risks include supply chain disruptions, equipment failures, IT system failures, external services failure (including energy supply), industrial action or disputes and natural disasters. If one or more such operational risks materialize, they may have an adverse impact on the operating and financial performance of Cyclopharm.

Reliance on Distributors/Loss of key customers

The Cyclopharm Group operates through a series of contractual relationships with customers, suppliers, distributors and independent contractors. To date, the Cyclopharm Group has generally provided products and services on the basis of tenders submitted to customers, followed by purchase orders incorporating the customer's standard terms and conditions of trade as a condition of the acceptance.

Cyclopharm Group maintains a spread of customers through direct and indirect sales channels. The loss of a major distributor could have a significant, adverse impact on Cyclopharm's projected earnings. The majority of sales through distributors or agents are managed through contractual arrangements. Whilst the Cyclopharm Group has distribution agreements in place, some may be terminated by the distributor with up to six months' notice prior to the expiration of the current terms (which vary). Other sales arrangements are not in writing and depend on the ongoing goodwill of the parties. The Directors are concerned to ensure that all such relationships are formalised.

All contracts, including those entered into by the Cyclopharm Group, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations or that these contractual relationships may be terminated.

Cyclopharm's financial result could be adversely affected by the loss of large customers, a change in the terms of business with a large customer, or by such customers not adequately or fully complying with their respective contractual rights and obligations. However, the risks are mitigated by the existence of numerous alternatives available given that Technegas™ is a highly sought after product.

Currency and Exchange Rate Fluctuations

The financial contribution to the Cyclopharm Group of the Technegas™ System will depend on the movement in exchange rates between the Australian dollar and a number of foreign currencies, particularly the Euro.

The exchange rate between various currencies may fluctuate substantially and the result of these fluctuations may have a material adverse impact on Cyclopharm's operating results and financial position. In the long term, Cyclopharm's ability to compete against imported products may be adversely affected by an expectation of a sustained period of a high Australian dollar that would reduce the Cyclopharm Group's price competitiveness.

The majority of the Cyclopharm Group's operational expenses are currently payable in Australian dollars. The Cyclopharm Group also supplies its product to overseas markets and hence is exposed to movements in the A$ exchange rate. The Cyclopharm Group does not enter into forward exchange contracts to hedge its anticipated purchase and sale commitments denominated in foreign currencies. As such, Cyclopharm is exposed to exchange rate fluctuations.

Doing Business Internationally

As the Cyclopharm Group is and will continue operating in numerous countries, the Cyclopharm Group will be exposed to risks such as unexpected changes in regulatory requirements (including taxation), longer payment cycles, problems in collecting debts, fluctuation in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds and potentially adverse tax consequences, all of which could adversely impact on Cyclopharm.

The Cyclopharm Group currently requires, and in the future may require further, licenses to operate in foreign countries which may be difficult to obtain and retain depending on government policies and political circumstances.

Intellectual Property Rights

The Cyclopharm Group's success may be affected by its ability to maintain patent protection for products and processes, to preserve its trade secrets and to operate without infringing the proprietary rights of third parties.

Patents

Unless challenged, the validity of a patent or trademark may be assumed. Any patent or trademark may be challenged on a number of grounds but the onus is on the party seeking revocation to establish those grounds.

All patents and trademarks require renewal at regular dates and if not renewed will expire. It is the Cyclopharm Group's practice to renew its patents and trademarks as required. The Directors note that whilst some patents have expired or have not been renewed, or remain to be transferred or licensed to Cyclopharm Group companies, there remains sufficient protection in these countries through other patent arrangements in place or being put in place.

The validity and breadth of claims covered in patents involve complex legal and factual questions and therefore may be highly uncertain. No assurance can be given that the pending applications will result in patents being issued, that such patents or the current patents will provide a competitive advantage or that competitors of the Cyclopharm Group will not design around any patents issued. Further, any information contained in the patent applications will become part of the public domain, so that it will not be protected as confidential information. As legal regulations and standards relating to the validity and scope of patents evolve, the degree of future protection of the Cyclopharm Group's proprietary rights is uncertain. However, those regulations and standards in the field of nuclear medicine (in which the Cyclopharm Group's technology resides) are relatively well established and non-controversial.

Environmental Regulations

Cyclopet Pty Limited, a member of the consolidated group's operations is subject to significant environmental regulations under the Radiation Control Act, 1990 by the Department of Environment, Climate Change and Water. The Board believe that the consolidated group has adequate systems in place for the management of its environmental requirements as they apply to the consolidated group.

Retirement, Election and Continuation in Office of Directors

In accordance with the Company's Constitution, all Directors have been elected by members at the Annual General Meeting (AGM) with the exception of Mr McBrayer. Mr McBrayer was appointed as Managing Director on 3 June 2008 and under the Constitution is exempt from election by members.

Indemnification and Insurance of Officers

In accordance with clause 49.1 of Cyclopharm's constitution and section 199A of the Corporations Act 2001 the Company has resolved to indemnify its Directors and Officers for a liability to a third-party provided that:

1. the liability does not arise from conduct involving a lack of good faith; or
2. the liability is for costs and expenses incurred by the Director or Officer in defending proceedings save as not permitted by law.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors against legal costs incurred in defending proceedings for conduct involving:

a) a wilful breach of duty; or
b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid for the year ending 31 December 2022 is $35,076 (for the year ended 31 December 2021: $32,132).

The Officers of the Company covered by the insurance policy include the Directors, the Company Secretary and Executive Officers. The indemnification of the Directors and Officers will extend for a period of at least 6 years in relation to events taking place during their tenure (unless the Corporations Act 2001 otherwise precludes this time frame of protection.)

The liabilities insured include costs and expenses that may be brought against the Officers in their capacity as Officers of the Company that may be incurred in defending civil or criminal proceedings that may be brought against the Officers of the Company or a controlled entity.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 37.

No fees (2021: $40,222) have been paid for share registry services and fees of $26,909 (2021: $18,982) for taxation services to an associate of Nexia Sydney Audit Pty Ltd for the year ended 31 December 2022 for non-audit related services. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or any related body corporate.

Remuneration Report (Audited)

The Remuneration Report (pages 27-35) outlines the director and executive remuneration arrangements of the Company and the group and the remuneration disclosures required in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the parent and the group.

Director and Executive Remuneration Table 2022

Consolidated 2022	Short-term employee benefits: Salary and Fees $	Short-term employee benefits: Cash Bonus $	Short-term employee benefits: Non-monetary benefits $	Post employment benefits: Super-annuation $	Other long-term benefits $	Share-based payment $	Total $	Performance related %
Directors								
David Heaney Non-Executive Director	72,603	–	–	7,441	–	–	80,044	0%
Dianne Angus Non-Executive Director	52,145	–	–	5,344	–	–	57,489	0%
Kevin Barrow* Non-Executive Director	19,597	–	–	2,058	–	–	21,655	0%
Professor Greg King** Non-Executive Director	13,705	–	–	1,439	–	–	15,144	0%
Executive Director								
James McBrayer*** Managing Director	439,198	35,496	–	47,115	12,797	314,982	849,588	41%
Total Directors' Compensation	**597,248**	**35,496**	**–**	**63,397**	**12,797**	**314,982**	**1,023,920**	**34%**
Key Management Personnel								
Mathew Farag Chief Operating Officer	330,033	1,000	–	33,953	5,985	26,012	396,983	7%
Total Key Management Personnel's Compensation	**330,033**	**1,000**	**–**	**33,953**	**5,985**	**26,012**	**396,983**	**7%**
Total Compensation	**927,281**	**36,496**	**–**	**97,350**	**18,782**	**340,994**	**1,420,903**	**27%**

* Mr Barrow was appointed to the Board on 1 September 2022.
** Professor King was appointed to the Board on 27 September 2022.
*** Mr McBrayer is employed on a rolling contract. He may be entitled to receive additional amounts up to a maximum of 20% of base remuneration based on the Company's performance and achieving certain Key Performance Indicator thresholds.

Director and Executive Remuneration Table 2021

Consolidated 2021	Short-term employee benefits: Salary and Fees $	Short-term employee benefits: Cash Bonus $	Short-term employee benefits: Non-monetary benefits $	Post employment benefits: Super-annuation $	Other long-term benefits $	Share-based payment $	Total $	Performance related %
Directors								
David Heaney Non-Executive Director	69,517	–	–	3,476	–	–	72,993	0%
Tom McDonald* Non-Executive Director	50,069	–	–	–	–	–	50,069	0%
Dianne Angus** Non-Executive Director	19,607	–	–	1,961	–	–	21,568	0%
Executive Director								
James McBrayer*** Managing Director	426,920	30,000	–	42,914	8,512	448,589	956,935	50%
Total Directors' Compensation	**566,113**	**30,000**	**–**	**48,351**	**8,512**	**448,589**	**1,101,565**	**43%**
Key Management Personnel								
Mathew Farag Chief Operating Officer	300,033	–	–	29,253	5,908	97,336	432,530	23%
Total Key Management Personnel's Compensation	**300,033**	**–**	**–**	**29,253**	**5,908**	**97,336**	**432,530**	**23%**
Total Compensation	**866,146**	**30,000**	**–**	**77,604**	**14,420**	**545,925**	**1,534,095**	**38%**

* Mr McDonald ceased as a member of the Board on 1 December 2021.
** Ms Angus was appointed to the Board on 10 August 2021.
*** Mr McBrayer is employed on a rolling contract. His bonus (which relates to the previous year's performance), up to a maximum of $50,000, is based on achieving certain benchmarks and targets, which in the absence of any formal agreement will default to achieving the budgeted underlying operating EBITDA approved by the Board of Directors effective 2017.

Details of Managing Director and Key Management Personnel's Share-based payments 2022

Name	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable – limited recourse loan	Term	Expiry date	Performance Hurdle
Mathew Farag	250,000	$0.245	$1.550	$387,500	*4.92 years	31/5/2023	Approval of Technegas' use and distribution in the United States by the United States Food and Drug Administration ("USFDA")
James McBrayer (options)	200,000	$1.310	$0.000	$0	6.18 years	31/7/2025	The Company receiving approval from the USFDA for the distribution of Technegas™ products in the United States
Mathew Farag	500,000	$0.379	$1.220	$610,000	*3.07 years	31/5/2023	50% on approval by the United States Food and Drug Administration on the use and distribution of Technegas™ in the United States and 50% upon continuous employment with the Cyclopharm Group until 30 April 2023
Other non-Key Management Personnel	100,000	$0.379	$1.220	$122,000	3.07 years	31/5/2023	25% on achievement of 2020 revenue and gross margin budget, 25% on achievement of 2021 revenue and gross margin budget and 50% upon continuous employment with the Cyclopharm Group until 30 April 2023
Mathew Farag	15,002	$1.012	$3.200	$48,006	3 years	18/2/2024	Continuous employment with the Cyclopharm Group until 31 December 2023
Other non-Key Management Personnel	50,000	$1.012	$3.200	$160,000	3 years	18/2/2024	50% year on year increase in third-party revenue at minimum of 20% gross margin for 2021, 2022 and 2023
Other non-Key Management Personnel	50,000	$1.012	$3.200	$160,000	3 years	18/2/2024	50% year on year increase in third-party service revenue for 2021, 2022 and 2023
Other non-Key Management Personnel	149,060	$1.012	$3.200	$476,992	3 years	18/2/2024	Continuous employment with the Cyclopharm Group until 31 December 2023
Other non-Key Management Personnel	3,000	$1.447	$3.200	$9,600	6 years	18/2/2027	Continuous employment with the Cyclopharm Group until 31 December 2026
	1,317,062			**$1,974,098**			

* Extended to 31 May 2023

Vested but unexercised during the year	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable – limited recourse loan	Term	Expiry date
James McBrayer	1,721,554	$0.215	$0.900	$1,549,399	*7.73 years	31/5/2023
James McBrayer	269,614	$1.065	$0.000	$0	*3.47 years	31/5/2023
James McBrayer	257,750	$1.410	$0.000	$0	*2.85 years	31/5/2023
James McBrayer	500,000	$0.422	$1.830	$915,000	*2.85 years	31/5/2023
Mathew Farag	225,000	$0.349	$0.900	$202,500	7.76 years	18/4/2025
Mathew Farag	250,000	$0.245	$1.550	$387,500	*4.92 years	31/5/2023
Other non-Key Management Personnel	24,102	$0.215	$0.900	$21,692	*7.73 years	31/5/2023
Other non-Key Management Personnel	45,000	$0.270	$1.200	$54,000	7 years	25/7/2023
Other non-Key Management Personnel	160,000	$0.379	$1.220	$195,200	*3.07 years	31/5/2023
	3,453,020			**$3,325,291**		

* Extended to 31 May 2023

Details of Managing Director and Key Management Personnel's Share-based payments 2021

Name	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable – limited recourse loan	Term	Expiry date	Performance Hurdle
Mathew Farag	250,000	$0.201	$1.550	$387,500	4 years	1/7/2022	Approval of Technegas' use and distribution in the United States by the United States Food and Drug Administration ("USFDA")
Mathew Farag	250,000	$0.201	$1.550	$387,500	4 years	1/7/2022	Continuous employment with the Cyclopharm Group until 31 March 2021
Other non-Key Management Personnel	200,000	$0.392	$1.500	$300,000	3 years	29/5/2022	The USFDA has approved the use and distribution of Technegas™ in the United States and continuous employment with the Cyclopharm Group until 23 May 2021
James McBrayer (options)	200,000	$1.310	$0.000	$0	6 years	31/7/2025	The Company receiving approval from the USFDA for the distribution of Technegas™ products in the United States
Other non-Key Management Personnel	215,000	$0.308	$1.220	$262,300	2 years	3/5/2022	Continuous employment with the Cyclopharm Group until 30 April 2022
Mathew Farag	500,000	$0.380	$1.220	$610,000	3 years	3/5/2023	50% on approval by the United States Food and Drug Administration on the use and distribution of Technegas™ in the United States and 50% upon continuous employment with the Cyclopharm Group until 30 April 2023
Other non-Key Management Personnel	330,000	$0.380	$1.220	$402,600	3 years	3/5/2023	1. 25% on achievement of 2020 revenue and gross margin budget, 25% on achievement of 2021 revenue and gross margin budget and 50% upon continuous employment with the Cyclopharm Group until 30 April 2023 2. USFDA Approval and Continuous employment with the Cyclopharm Group until 30 April 2023
James McBrayer	500,000	$0.315	$1.830	$915,000	1.85 years	31/5/2022	Continuous employment with Cyclopharm Limited as Managing Director for 2 years until the Annual General Meeting held in 2022
Mathew Farag	15,002	$1.012	$3.200	$48,006	3 years	18/2/2024	Continuous employment with the Cyclopharm Group until 31 December 2023
Other non-Key Management Personnel	50,000	$1.012	$3.200	$160,000	3 years	18/2/2024	50% year on year increase in third-party revenue at minimum of 20% gross margin for 2021, 2022 and 2023
Other non-Key Management Personnel	100,000	$1.012	$3.200	$320,000	3 years	18/2/2024	Global harmonisation documentation submitted by June 2023 for Europe, North America, China and ANZ
Other non-Key Management Personnel	50,000	$1.012	$3.200	$160,000	3 years	18/2/2024	50% year on year increase in third-party service revenue for 2021, 2022 and 2023
Other non-Key Management Personnel	190,057	$1.012	$3.200	$608,182	3 years	18/2/2024	Continuous employment with the Cyclopharm Group until 31 December 2023
Other non-Key Management Personnel	3,000	$1.447	$3.200	$9,600	6 years	18/2/2027	Continuous employment with the Cyclopharm Group until 31 December 2026
	2,853,059			**$4,570,688**			

Details of Managing Director and Key Management Personnel's Share-based payments 2021 (continued)

Vested but unexercised during the year	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable – limited recourse loan	Term	Expiry date
James McBrayer	1,721,554	$0.061	$0.900	$1,549,399	5 years	9/5/2022
James McBrayer	269,614	$1.065	$0.000	$0	2.41 years	9/5/2022
James McBrayer	257,750	$1.410	$0.000	$0	1.80 years	9/5/2022
Mathew Farag	225,000	$0.349	$0.900	$202,500	5 years	18/4/2025
Other non-Key Management Personnel	41,318	$0.061	$0.900	$37,186	5 years	31/8/2022
Other non-Key Management Personnel	75,000	$0.270	$1.200	$90,000	5 years	25/7/2023
	2,590,236			**$1,879,085**		

Interests in the shares and options of the Company and related bodies corporate

The movement during the reporting period in the number of ordinary Cyclopharm shares and options on issue held directly, indirectly or beneficially, by Directors and key management personnel, including their personally-related entities is as follows:

	Interest	31 December 2021 No. of shares	On market purchases No. of shares	31 December 2022 No. of shares
Directors				
Mr D J Heaney	BI	244,500	25,500	270,000
Mr J S McBrayer	BI	5,109,580	–	5,109,580
Ms D M Angus	BI	–	10,000	10,000
Mr K M J Barrow	NBI	–	10,000	10,000
Professor G G King	BI	–	–	–
		5,354,080	45,500	5,399,580
Key Management Personnel				
Mr M Farag	BI	1,272,002	4,000	1,276,002

BI: Beneficial interest
NBI: Non beneficial interests

As at 31 December 2022, Mr McBrayer holds 200,000 share options (2021: 200,000).

Remuneration Committee

The Remuneration Committee currently comprises of Mr Heaney, who is the Chairman of the Remuneration Committee, Ms Angus and Mr Barrow.

The Remuneration Committee is responsible for:

- reviewing and approving the remuneration of Directors and other senior executives; and
- reviewing the remuneration policies of the Company generally.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to Shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held in May 2021 when Shareholders approved an aggregate remuneration increase from $250,000 to $350,000 per year.

The amount of aggregate remuneration sought to be approved by Shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each director receives a fee as set out in the Director and Executive Remuneration Table for being a director of the Company. Directors' fees cover all main Board activities and the membership of committees. There are no additional fees for committee membership. These fees exclude any additional 'fee for service' based on arrangements with the Company, which may be agreed from time to time. Agreed out of pocket expenses are payable in addition to Directors' fees. There is no retirement or other long service benefits that accrue upon appointment to the Board. Retiring non-executive Directors are not currently entitled to receive a retirement allowance.

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of Shareholders; and
- ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice.

The Remuneration Committee has entered into a detailed contract of employment with the Managing Director and a standard contract with other executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits); and
- Variable remuneration
  - » short term incentive (STI); and
  - » long term incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out in the Director and Executive Remuneration Table.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Company, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. All forms of executive remuneration are detailed in the Remuneration Report.

Variable remuneration – Short Term Incentive (STI)

The objective of the STI is to link the achievement of the Group's operational targets with remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual STI payments granted to each executive depends on the extent to which specific targets set at the beginning of the year are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included measures are sales, net profit after tax, customer service, risk management and leadership/team contribution. These measures were chosen as they represent the key drivers for short term success of the business and provide a framework for long term value.

The Group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, in line with their responsibilities, determine the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs within three months of reporting date.

The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Remuneration Committee. Payments are delivered as a cash bonus in the following reporting period. Participation in the Short Term Incentive Plan is at the Directors' discretion.

Variable remuneration - Long Term Incentive (LTI)

Long Term incentives are delivered under the Long Term Incentive Plan (LTIP), which is designed to reward sustainable, long-term performance in a transparent manner. Under the LTIP, individuals are granted LTIP shares, which have a two or three year performance periods (Term). The number of LTIP shares is determined by the Board. The number of LTIP shares that an individual will be entitled to at the end of the Term will depend on the extent to which the hurdle has been met. Performance hurdles are determined by the Board to align individual performance with the Company's performance.

At the Annual General Meeting held on 8 May 2007, Shareholders approved the Company's Long Term Incentive Plan ("Plan"). An updated Plan was approved by Shareholders on 29 May 2018 and 4 May 2021.

The purpose of the Plan is to encourage employees, Directors and officers to share in the ownership of the Company and therefore retain and motivate senior executives to drive performance at both the individual and corporate level. Performance hurdles have been determined by the Board to align individual performance with the Company's key success factors.

Employment contracts

Managing Director

The Managing Director, Mr McBrayer, is employed under a rolling contract. Mr McBrayer's current contract was executed on 3 May 2021. Mr McBrayer's remuneration for 2022 and 2021 is disclosed in the tables on page 28. Under the terms of the present contract:

- Each year from 1 January to 31 December, Mr McBrayer may be entitled to receive additional amounts up to a maximum of 20% of base remuneration based on the Company's performance and achieving certain Key Performance Indicator thresholds. This amount is entirely performance based and seeks to strengthen the alignment of the Managing Director's interests with those of the Company's shareholders.
- Mr McBrayer may resign from his position and thus terminate this contract by giving 6 months written notice unless a mutually agreeable date can be agreed upon.
- The Company may terminate this employment agreement by providing 6 months written notice or providing payment in lieu of the notice period.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.
- Mr McBrayer is entitled to receive strictly limited recourse loans under the Company's LTIP to purchase shares.
- On 13 July 2015, a strictly limited recourse loan was made to Mr McBrayer under the Company's LTIP to purchase shares for a period of 2 years. The loan was to enable the purchase of 1,721,554 shares at the price of 90 cents per share. The LTIP shares vested on 9 May 2017, the date of the 2017 AGM.
- On 9 May 2017, Mr McBrayer exercised his rights to purchase 1,721,554 LTIP shares and the Company extended a loan totalling $1,549,398.60 for the purchase of the Plan Shares. The loan is repayable in full within 5 years.

- As approved by shareholders at the May 2019 AGM, 200,000 options were granted on 27 May 2019 and 539,525 shares comprising 269,911 ordinary shares and 269,614 LTIP shares were issued in accordance with the Company's Long Term Incentive Plan on 11 December 2019 to Mr McBrayer.
- As approved by shareholders at the July 2020 AGM, 1,015,500 shares comprising 257,750 ordinary shares and 757,750 LTIP shares were issued in accordance with the Company's Long Term Incentive Plan on 24 July 2020 to Mr McBrayer.

Other Executives (standard contracts)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing (depending on the individual's contract) between 1 to 3 months' written notice or providing payment in lieu of the notice period. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Related Parties

The Directors disclose any conflict of interests in Directors' meetings as per the requirements under the Corporations Act (2001). Any disclosures that are considered to fall under the definition of related parties as per *AASB 124 'Related Party Disclosures'* are made in the Directors' meetings and minuted.

End of Remuneration Report

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each director were as follows:

	Cyclopharm Board Meetings		Audit & Risk Committee		Board Nomination Committee		Remuneration Committee	
Director	H	A	H	A	H	A	H	A
Mr D J Heaney	9	9	3	3	2	2	1	1
Mr J S McBrayer	9	8	–	–	2	2	–	–
Ms D M Angus	9	9	3	3	2	2	1	1
Mr K M J Barrow	4	4	1	1	1	1	–	–
Professor G G King	2	2	–	–	–	–	–	–

H: Held and eligible to attend, A: Attended

Share Options

200,000 share options (2021: 200,000) are on issue as at year end.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

This report is made and signed in accordance with a resolution of the Directors:

James McBrayer
Managing Director and CEO
Sydney, 31 March 2023

Auditor's Independence Declaration

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To the Board of Directors of Cyclopharm Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Cyclopharm Limited for the financial year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Date: 31 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	Consolidated 2022 $	Consolidated 2021 $
Continuing Operations			
Sales revenue	5	23,218,797	17,704,574
Finance revenue	5	109,733	3,950
Other revenue	5	1,635,856	2,432,578
Total revenue		**24,964,386**	**20,141,102**
Cost of materials and manufacturing	5a	(7,440,608)	(5,042,295)
Employee benefits expense	5e	(9,081,003)	(8,848,778)
Advertising and promotion expense		(538,338)	(298,143)
Depreciation and amortisation expense	5c	(931,484)	(758,731)
Freight and duty expense		(2,385,834)	(724,029)
Research and development expense	5d	(3,439,980)	(1,660,167)
Administration expense	5f	(6,681,478)	(6,806,880)
Other expense	5g	(229,584)	(259,636)
Loss before tax and finance costs		**(5,763,923)**	**(4,257,557)**
Finance costs	5b	(265,923)	(89,314)
Loss before income tax		**(6,029,846)**	**(4,346,871)**
Income tax	6	(581,669)	(693,295)
Loss for the year		**(6,611,515)**	**(5,040,166)**
Other comprehensive income after income tax			
Items that will be re-classified subsequently to profit and loss when specific conditions are met:			
Exchange differences on translating foreign controlled entities (net of tax)		(131,589)	(225,440)
Total comprehensive loss for the year		**(6,743,104)**	**(5,265,606)**

	Notes	2022 cents	2021 cents
Loss per share (cents per share)	7		
– basic loss per share from continuing operations		(7.17)	(5.62)
– basic loss per share		(7.17)	(5.62)
– diluted loss per share		(7.17)	(5.62)

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	Consolidated 2022 $	Consolidated 2021 $
Assets			
Current Assets			
Cash and cash equivalents	8	20,296,176	29,249,255
Trade and other receivables	9	7,706,025	8,040,708
Inventories	10	8,292,668	5,511,375
Current tax asset	6	4,947	58,761
Other assets		570,519	392,284
Total Current Assets		**36,870,335**	**43,252,383**
Non-current Assets			
Property, plant and equipment	11	3,189,165	2,416,648
Right-of-use assets	12	3,410,439	3,829,204
Investments	13	–	–
Intangible assets	14	5,436,401	5,422,263
Deferred tax assets	6	635,811	820,406
Total Non-current Assets		**12,671,816**	**12,488,521**
Total Assets		**49,542,151**	**55,740,904**
Liabilities			
Current Liabilities			
Trade and other payables	15	6,502,920	5,907,628
Lease liabilities	16	209,992	178,265
Provisions	17	1,133,574	1,234,259
Tax liabilities	6	89,198	98,132
Total Current Liabilities		**7,935,684**	**7,418,284**
Non-current Liabilities			
Lease liabilities	16	4,121,592	4,331,502
Provisions	17	46,453	25,929
Deferred tax liabilities	6	–	–
Deferred income liabilities	18	901,812	897,455
Total Non-current Liabilities		**5,069,857**	**5,254,886**
Total Liabilities		**13,005,541**	**12,673,170**
Net Assets		**36,536,610**	**43,067,734**
Equity			
Contributed equity	19	63,420,810	62,974,440
Employee equity benefits reserve	28	3,241,763	2,593,561
Foreign currency translation reserve	28	(1,053,129)	(921,540)
Accumulated losses		(29,072,834)	(21,578,727)
Total Equity		**36,536,610**	**43,067,734**

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	Consolidated 2022 $	Consolidated 2021 $
Operating activities			
Receipts from customers		24,289,662	21,244,553
Receipt from business venture collaboration		340,464	392,483
Payments to suppliers and employees		(34,557,416)	(25,910,356)
Interest received		109,733	3,950
Borrowing costs paid		(265,923)	(89,314)
Income tax received		3,418,995	2,729,274
Net cash flows used in operating activities	**8**	**(6,664,485)**	**(1,629,410)**
Investing activities			
Purchase of property, plant and equipment		(1,274,027)	(842,845)
Payments for intangible assets		(274,371)	(318,179)
Net cash flows used in investing activities		**(1,548,398)**	**(1,161,024)**
Financing activities			
Proceeds from issue of shares		–	33,000,003
Share issue cost (net of tax)		–	(1,657,782)
Settlement of loan for Long Term Incentive Plan Shares		446,370	–
Dividends paid		(882,592)	(881,319)
Payment for lease liabilities		(289,422)	(288,707)
Net cash flows (used in)/from financing activities		**(725,644)**	**30,172,195**
Net (decrease)/increase in cash and cash equivalents		**(8,938,527)**	**27,381,761**
Cash and cash equivalents			
– at beginning of the period		**29,249,255**	**1,874,285**
– net foreign exchange differences from translation of cash and cash equivalents		(14,552)	(6,791)
– at end of the year	**8**	**20,296,176**	**29,249,255**

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Consolidated	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings/ (Accumulated Losses) $	Foreign Currency Translation Reserve (Note 28(b)) $	Employee Equity Benefits Reserve (Note 28(a)) $	Total $
Balance at 1 January 2021	**36,965,377**	**(5,333,158)**	**31,632,219**	**(15,657,242)**	**(696,100)**	**1,836,973**	**17,115,850**
Loss for the year	–	–	–	(5,040,166)	–	–	(5,040,166)
Other comprehensive loss	–	–	–	–	(225,440)	–	(225,440)
Total comprehensive loss for the year	**–**	**–**	**–**	**(5,040,166)**	**(225,440)**	**–**	**(5,265,606)**
Issue of shares	33,000,003	–	33,000,003	–	–	–	33,000,003
Share issue cost (net of tax)	(1,657,782)	–	(1,657,782)	–	–	–	(1,657,782)
Dividends paid	–	–	–	(881,319)	–	–	(881,319)
Cost of share based payments	–	–	–	–	–	756,588	756,588
Total transactions with owners and other transfers	**31,342,221**	**–**	**31,342,221**	**(881,319)**	**–**	**756,588**	**31,217,490**
Balance at 31 December 2021	**68,307,598**	**(5,333,158)**	**62,974,440**	**(21,578,727)**	**(921,540)**	**2,593,561**	**43,067,734**

Consolidated	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings/ (Accumulated Losses) $	Foreign Currency Translation Reserve (Note 28(b)) $	Employee Equity Benefits Reserve (Note 28(a)) $	Total $
Balance at 1 January 2022	**68,307,598**	**(5,333,158)**	**62,974,440**	**(21,578,727)**	**(921,540)**	**2,593,561**	**43,067,734**
Loss for the year	–	–	–	(6,611,515)	–	–	(6,611,515)
Other comprehensive loss	–	–	–	–	(131,589)	–	(131,589)
Total comprehensive loss for the year	**–**	**–**	**–**	**(6,611,515)**	**(131,589)**	**–**	**(6,743,104)**
Payment of loan for Long Term Incentive Plan shares	446,370	–	446,370	–	–	–	446,370
Dividends paid	–	–	–	(882,592)	–	–	(882,592)
Cost of share based payments	–	–	–	–	–	648,202	648,202
Total transactions with owners and other transfers	**446,370**	**–**	**446,370**	**(882,592)**	**–**	**648,202**	**211,980**
Balance at 31 December 2022	**68,753,968**	**(5,333,158)**	**63,420,810**	**(29,072,834)**	**(1,053,129)**	**3,241,763**	**36,536,610**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. Corporate information

The financial report of Cyclopharm Limited ("Cyclopharm" or "the Company") for the year ended 31 December 2022 was authorised for issue by a resolution of the Directors as at the date of this report.

Cyclopharm is a Company limited by shares incorporated and domiciled in Australia. The shares are publicly traded on the Australian Securities Exchange ("ASX") under the code "CYC".

During the year, the principal continuing activities of the consolidated entity ("the Group") consisted of the manufacture and sale of medical equipment and radiopharmaceuticals, including associated research and development, and installation and distribution of third-party products to the diagnostic imaging sector.

2. Summary of significant accounting policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

(b) New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) New Accounting Standards and Interpretations Not Yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(d) Basis of consolidation

Cyclopharm Limited is the ultimate parent entity ("the Parent") in the wholly owned group. The consolidated financial statements comprise the financial statements of Cyclopharm and its subsidiaries as at 31 December each year ('the Group').

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2022. All subsidiaries have a reporting date of 31 December.

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Parent has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2. Summary of significant accounting policies (continued)

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

For business combinations involving entities under common control, which are outside the scope of *AASB 3 Business Combinations,* the Company applies the purchase method of accounting by the legal parent.

(e) Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars (AUD $) which is the parent entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items that are measured in terms of historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate when the fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except where deferred in equity as a qualifying cash flow hedge or net investment hedge. On disposal of a foreign entity the deferred cumulative amount in equity is recognised in the Statement of Comprehensive Income.

Group companies

The functional currency of the overseas subsidiaries Cyclomedica Ireland Limited, Cyclomedica Germany GmbH, Cyclomedica Europe Limited, and Cyclomedica Benelux bvba, is European Euro (Euro €), Cyclomedica Nordic AB is Swedish Kroner (SEK), Cyclomedica Canada Limited is Canadian dollars (Can $) and Cyclomedica UK Ltd is Great British Pound (GBP).

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the reporting date.
- Income and expenses are translated at the average exchange rates for the period.
- Retained profits/equity are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are recognised in other comprehensive income and are transferred directly to the Group's foreign currency translation reserve in the Statement of Financial Position. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

(f) Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Summary of significant accounting policies (continued)

Tax consolidation

Cyclopharm Limited is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The implementation date for the tax consolidated group was 31 May 2006. Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "stand-alone basis without adjusting for intercompany transactions" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current Australian tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

Cyclopharm Limited recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(g) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(h) Property, plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment

The carrying amount of plant and equipment is reviewed annually by Directors to consider impairment. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

2. Summary of significant accounting policies (continued)

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets are depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Basis	Method
Plant and equipment	5 – 33%	Straight-line method
Leasehold Improvements	7.5 – 10%	Straight-line method
Motor vehicles	16.67 – 25%	Straight-line method

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

(i) Investments accounted for using the equity method

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired. The carrying amount of the investment also includes loans made to the associate which are not expected to be repaid in the short term.

Profit and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are provided in Note 13.

(j) Intangibles

Intangible assets

Intangible assets acquired as part of a business combination other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost.

Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gains and losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible assets. The method and useful lives of finite life intangible assets are reviewed annually.

Internally generated intangible assets, excluding development costs, are not capitalised and are recorded as an expense in the Statement of Profit or Loss.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, at each reporting date, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

2. Summary of significant accounting policies (continued)

Expenditure on the development of the Technegas™Plus and Ultralute™ generator has been capitalised. Costs will be amortised once the asset development is completed and the asset ready for use. No impairment provision has been deemed appropriate. The Directors are satisfied that the future economic benefits will eventuate to justify the capitalisation of the expenditure incurred. Development expenditure is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

	New Patents and licences	Technegas Development costs
Useful lives	Patents – Finite Licenses – Finite	Finite
Method used	8–10 years – Straight-line	9 years – Straight-line
Impairment test/ Recoverable Amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

Research and development costs

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intend to complete the development and its costs can be measured reliably. Development expenditure is measured at cost less any accumulated amortisation and impairment losses. Amortisation is calculated using a straight-line method to allocate the costs over a period during which the related benefits are expected to be realised.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value where net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress: cost of direct materials and labour and an appropriate portion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

(l) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 90 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, short-term deposits with an original maturity of three months or less and bank overdrafts. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(n) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are normally settled within 30 to 60 days.

2. Summary of significant accounting policies (continued)

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

(p) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result and that an outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

(r) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow (after applying probability) to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories.

(s) Employee share and performance share schemes

The fair value of performance rights issued under the Cyclopharm Long Term Incentive Plan are recognised as a personnel expense over the vesting period with a corresponding increase in Employee Equity Benefits Reserve.

The fair value of the implied option attached to shares granted is determined using a pricing model that takes into account factors that include exercise price, the term of the performance option, the vesting and performance criteria, the share price at grant date and the expected price volatility of the underlying share. The fair value calculation excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of performance rights that are expected to become exercisable. The personnel expense recognised each period takes into account the most recent estimate.

Shares issued under employee and executive share plans are held in trust until vesting date. Unvested shares held by the trust are consolidated into the group financial statements.

2. Summary of significant accounting policies (continued)

(t) Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

(u) Other Revenue

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research & Development Tax Incentive

Government grants, including Research and Development incentives, are recognized at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to cost reimbursements are recognized as other income in profit or loss in the period when the costs were incurred or when the incentive meets the recognition requirements (if later).

All revenue is stated net of the amount of goods and services tax ("GST").

(v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred is not recoverable from the Australian Taxation Office ("ATO") and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

2. Summary of significant accounting policies (continued)

(w) Financial instruments

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

De-recognition of financial instruments

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses at each Statement of Financial Position date whether a financial asset or group of financial assets is impaired.

(x) Contributed equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other contributed equity

In accordance with *AASB112 Income Taxes*, additional contributed equity was recorded to recognise the transfer of tax liabilities from Vita Medical Limited to Vita Life Sciences Limited, being the parent of the Australian tax consolidated group at the relevant time. This event occurred prior to Cyclopharm Limited acquiring its interests in the net assets of Vita Medical Limited.

As part of the restructure a subsidiary of Cyclopharm Limited, Vita Medical Australia Pty Ltd acquired all the assets, liabilities and business from Vita Medical Limited, the former group parent.

With effect from 31 May 2006, Cyclopharm Limited also acquired 100% of the other group operating subsidiaries from the ultimate holding company, Vita Life Sciences Limited. Accordingly, the group comprises Cyclopharm Limited and the following wholly owned subsidiaries:

- Cyclomedica Australia Pty Ltd (formerly Vita Medical Australia Pty Ltd)
- Cyclomedica Ireland Ltd (formerly Vitamedica Europe Ltd)
- Cyclomedica Europe Ltd
- Cyclomedica Canada Limited (formerly Vita Medical Canada Ltd)
- Cyclomedica Germany GmbH
- Allrad 28 Pty Ltd (deregistered 16 July 2017)
- Allrad 29 Pty Ltd (deregistered 16 July 2017)

These entities collectively comprise the medical diagnostic equipment and associated consumables business formerly operated as the Vita Medical Group – now known as the Cyclopharm Group. The transaction has been accounted for as a 'reverse acquisition' as defined in *AASB 3 Business Combinations* whereby Cyclopharm Limited is the legal parent and Cyclomedica Australia Pty Limited is the financial parent, which for accounting purposes is deemed to be the acquirer.

The consideration for the minority interests of the controlled entities and costs of acquisition have been charged to other contributed equity in accordance with *AASB 10 Consolidated Financial Statements*.

2. Summary of significant accounting policies (continued)

(y) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year. Where there is a change in the number of ordinary shares on issue without a corresponding change in recognised resources during the year, the number of ordinary shares for all periods presented are correspondingly adjusted as if the event had occurred at the beginning of the earliest period presented.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Where there is a change in the number of ordinary shares on issue without a corresponding change in recognised resources during the year, the number of ordinary shares for all periods presented are correspondingly adjusted as if the event had occurred at the beginning of the earliest period presented.

(z) Fair Value

The Group subsequently measures some of its assets at fair value on a non-recurring basis. Fair value is the price the Group would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(aa) Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The following are the critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key Estimates

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The Group's property, plant and equipment relating to the Cyclotron facility have been fully impaired, based on management's assessment that the fair value of those assets is nil in the current industry circumstances and the condition of the damaged assets. Extensive damage to the Cyclotron facility caused by substantial water damage in June 2014, delayed any decisions about the future use of the Cyclotron facility until it is restored to its former operational status. In 2019, the Company entered into a Business Venture Collaboration Agreement with Cyclotek Australia Pty Ltd and Pettech, a wholly owned subsidiary of ANSTO. In parallel the Company entered into a Business Sale Transfer agreement for the operations conducted at the Company's Cyclotron facility located at Macquarie University Hospital.

The assumptions used in the estimation of recoverable amount and the carrying amount of intangible assets are discussed in Note 14. No impairment has been recognised in respect of intangible assets at the end of the reporting period.

2. Summary of significant accounting policies (continued)

Useful lives of property, plant and equipment

The estimation of the useful lives of assets has been based on historical experience as well as lease terms and turnover policies. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third-party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. Refer to Note 26 for details of the Company's Share Based Payment Plan.

Key Judgements

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of comprehensive income.

3. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Segments	For the year ended 31 December 2022		
	Technegas	Molecular Imaging	Total
	$	$	$
Type of goods or service			
Sales of equipment and consumables – Technegas	12,596,143	–	12,596,143
Sales of equipment and consumables – third-party products	8,120,239	–	8,120,239
Income from business venture collaboration	–	340,464	340,464
After sales services – Technegas	1,067,119	–	1,067,119
After sales services – third-party products	1,094,832	–	1,094,832
Total revenue from contracts with customers	**22,878,333**	**340,464**	**23,218,797**
Geographical markets			
Asia-Pacific	7,451,101	340,464	7,791,565
Europe	12,166,950	–	12,166,950
Canada	2,960,306	–	2,960,306
Other	299,976	–	299,976
Total revenue from contracts with customers	**22,878,333**	**340,464**	**23,218,797**
Timing of revenue recognition			
Goods transferred at a point in time	22,269,365	340,464	22,609,829
Services transferred over time	608,968	–	608,968
Total revenue from contracts with customers	**22,878,333**	**340,464**	**23,218,797**

Segments	For the year ended 31 December 2021		
	Technegas	Molecular Imaging	Total
	$	$	$
Type of goods or service			
Sales of equipment and consumables – Technegas	11,591,344	–	11,591,344
Sales of equipment and consumables – third-party products	3,773,257	–	3,773,257
Income from business venture collaboration	–	392,483	392,483
After sales services – Technegas	1,621,761	–	1,621,761
After sales services – third-party products	325,729	–	325,729
Total revenue from contracts with customers	**17,312,091**	**392,483**	**17,704,574**
Geographical markets			
Asia-Pacific	3,237,027	392,483	3,629,510
Europe	11,510,851	–	11,510,851
Canada	2,456,613	–	2,456,613
Other	107,600	–	107,600
Total revenue from contracts with customers	**17,312,091**	**392,483**	**17,704,574**
Timing of revenue recognition			
Goods transferred at a point in time	17,097,962	392,483	17,490,445
Services transferred over time	214,129	–	214,129
Total revenue from contracts with customers	**17,312,091**	**392,483**	**17,704,574**

The allowance for expected credit losses on receivables at the end of the year was $156,919 (2021: $110,415).

4. Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of product category as the Group's risks and returns are affected predominantly by differences in the products and services produced. The Group also monitors the performance of the business on a geographical basis.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Technegas™ segment is a supplier of diagnostic equipment and consumables used by physicians in the detection of pulmonary embolism and a distributor of products to the diagnostic imaging sector.

The Molecular Imaging segment will produce radiopharmaceuticals to be used by physicians in the detection of cancer, neurological disorders and cardiac disease.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Business segments

The tables under the heading business segments present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2022 and 31 December 2021.

Geographical segments

The tables under the heading geographical segment present revenue and asset information regarding geographical segments for the years ended 31 December 2022 and 31 December 2021.

Business Segments

	Consolidated		
For the year ended 31 December 2022	Technegas	Molecular Imaging	Total
	$	$	$
Revenue			
Sales – Technegas	13,663,262	–	13,663,262
Income from business venture collaboration	–	340,464	340,464
Sales – third-party products	9,215,071	–	9,215,071
Sales to external customers	22,878,333	340,464	23,218,797
Finance revenue	109,733	–	109,733
Other revenue	1,635,856	–	1,635,856
Total revenue	**24,623,922**	**340,464**	**24,964,386**
Result			
(Loss)/profit before tax and finance costs	**(6,145,066)**	**381,143**	**(5,763,923)**
Finance costs	(265,493)	(430)	(265,923)
(Loss)/profit before income tax	**(6,410,559)**	**380,713**	**(6,029,846)**
Income tax	(549,484)	(32,185)	(581,669)
(Loss)/profit after income tax	**(6,960,043)**	**348,528**	**(6,611,515)**
Assets and liabilities			
Segment assets	48,524,326	1,017,825	49,542,151
Segment asset increases for the period:			
– capital expenditure	1,274,027	–	1,274,027
Segment liabilities	(12,950,439)	(55,102)	(13,005,541)
Other segment information			
Depreciation and amortisation	(931,484)	–	(931,484)

4. Segment reporting (continued)

Business Segments (continued)

For the year ended 31 December 2021	Consolidated		
	Technegas	Molecular Imaging	Total
	$	$	$
Revenue			
Sales – Technegas	13,213,106	–	13,213,106
Income from business venture collaboration	–	392,483	392,483
Sales – third-party products	4,098,985	–	4,098,985
Sales to external customers	17,312,091	392,483	17,704,574
Finance revenue	3,624	326	3,950
Other revenue	2,432,578	–	2,432,578
Total revenue	**19,748,293**	**392,809**	**20,141,102**
Result			
(Loss)/profit before tax and finance costs	**(4,565,182)**	**307,625**	**(4,257,557)**
Finance costs	(86,395)	(2,919)	(89,314)
(Loss)/profit before income tax	**(4,651,577)**	**304,706**	**(4,346,871)**
Income tax	(237,237)	(456,058)	(693,295)
Loss after income tax	**(4,888,814)**	**(151,352)**	**(5,040,166)**
Assets and liabilities			
Segment assets	54,549,989	1,190,915	55,740,904
Segment asset increases for the period :			
– capital expenditure	842,845	–	842,845
Segment liabilities	(12,567,046)	(106,124)	(12,673,170)
Other segment information			
Depreciation and amortisation	(758,731)	–	(758,731)

Geographical Segments

For the year ended 31 December 2022	Consolidated				
	Asia-Pacific	Europe	Canada	Other	Total
	$	$	$	$	$
Revenue					
Sales to external customers	7,791,565	12,166,950	2,960,306	299,976	23,218,797
Finance revenue	109,733	–	–	–	109,733
Other revenue	1,635,856	–	–	–	1,635,856
Total segment revenue	**9,537,154**	**12,166,950**	**2,960,306**	**299,976**	**24,964,386**
Assets					
Segment assets	38,032,765	10,650,908	858,478	–	49,542,151

For the year ended 31 December 2021	Consolidated				
	Asia-Pacific	Europe	Canada	Other	Total
	$	$	$	$	$
Revenue					
Sales to external customers	3,629,510	11,510,851	2,456,613	107,600	17,704,574
Finance revenue	2,794	1,156	–	–	3,950
Other revenue	2,291,383	141,195	–	–	2,432,578
Total segment revenue	**5,923,687**	**11,653,202**	**2,456,613**	**107,600**	**20,141,102**
Assets					
Segment assets	46,467,809	8,745,806	527,289	–	55,740,904

5. Revenues and expenses

	Notes	Consolidated 2022 $	Consolidated 2021 $
Revenue			
Sales revenue		22,878,333	17,312,091
Income from business venture collaboration		340,464	392,483
Total revenue		**23,218,797**	**17,704,574**
Finance revenue – Interest received from other parties		**109,733**	**3,950**
Other Revenue			
Insurance recoveries		–	141,195
R&D Tax incentive refund		1,635,856	2,291,383
Total other revenue		**1,635,856**	**2,432,578**
(Note 3 discloses the disaggregation of the Group's revenue from contracts with customers)			
Expenses			
(a) Cost of materials and manufacturing			
Cost of materials and manufacturing		**7,440,608**	**5,042,295**
(b) Finance costs			
Interest paid on loans from external parties		67,434	16,515
Interest on leased assets (AASB 16)		198,489	72,799
Total finance costs		**265,923**	**89,314**
(c) Depreciation and amortisation			
Depreciation of plant and equipment		234,806	161,276
Depreciation of leasehold improvements		266,704	168,050
Depreciation of leased assets (AASB 16)		289,422	288,707
Amortisation of intangibles		140,552	140,698
		931,484	**758,731**
(d) Research & development expense			
FDA expenses		2,973,729	1,303,372
Pilot Clinical Trial expenses		126,818	214,893
Research expenses		339,433	141,902
		3,439,980	**1,660,167**
(e) Employee benefits expense			
Salaries and wages		7,712,904	7,395,884
Defined contribution superannuation expense		545,565	548,200
Non-Executive Director fees		174,332	148,106
Share-based payments expense	26a	648,202	756,588
		9,081,003	**8,848,778**
(f) Administration expense			
Legal and professional costs		3,473,853	4,868,162
Office and facility costs		1,883,668	1,453,745
Provision/(Reversal) of doubtful debts		65,422	(5,427)
Travel and motor vehicle costs		1,258,535	490,400
		6,681,478	**6,806,880**
(g) Other expense			
Realised Foreign exchange gains		(63,821)	(26,377)
Unrealised Foreign exchange gains		(60,751)	(232,134)
Other		354,156	518,147
		229,584	**259,636**

6. Income tax

	2022 $	2021 $
The components of income tax expense comprise:		
Current income tax expense	(397,074)	(324,005)
Deferred tax expense	(184,595)	(369,290)
	(581,669)	**(693,295)**

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

Accounting loss before income tax	**(6,029,846)**	**(4,346,871)**
Statutory income tax rate of 25% (2021: 26%)	1,171,368	1,674,705
Effects of lower rates on overseas income	225,067	232,616
Expenditure not allowable for income tax purposes	(1,378,865)	(1,221,402)
Non-assessable income	409,460	595,760
Temporary differences (reversed) in Australian group	(184,595)	(369,290)
Tax losses not recognised in Australia	(824,104)	(1,605,684)
Total income tax expense	**(581,669)**	**(693,295)**
Effective income tax rate	9.6%	15.9%
Current income tax asset	**4,947**	**58,761**
Current income tax liability	**89,198**	**98,132**
Deferred tax relating to capital raising costs, credited directly to equity	–	–
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	(1,180,925)	(1,228,684)
Provisions and accruals	1,384,838	1,460,084
Other	431,898	589,006
Total deferred tax assets	**635,811**	**820,406**
Movements in deferred tax assets		
Opening balance	820,406	1,189,696
Temporary differences brought to account (reversed)	(184,595)	(369,290)
Closing balance	**635,811**	**820,406**
Deferred tax assets for which no benefit has been recognised:		
– arising from temporary differences – at 25% (2021: 25%)	567,136	582,288
– arising from revenue tax losses – at 25% (2021: 25%)	1,861,215	2,581,039
– arising from capital tax losses – at 25% (2021: 25%)	19,715	19,715

7. Net tangible assets and loss per share

Net Tangible Assets per share

	Consolidated	
	2022 $	2021 $
Net assets per share	0.39	0.46
Net tangible assets per share	0.33	0.40

	Number	Number
Number of ordinary shares for net assets per share	93,053,826	93,374,823

	2022 $	2021 $
Net assets	36,536,610	43,067,734
Less: Intangible assets	(5,436,401)	(5,422,263)
Net tangible assets	31,100,209	37,645,471

The number of ordinary shares includes the effects of 408,059 Long Term Incentive Plan (LTIP) shares issued on 19 February 2021 and excludes 320,997 lapsed LTIP shares cancelled on 4 October 2022 (2021: nil) as set out in Note 19. The net assets includes both right-of-use assets and lease liabilities accounted for in accordance with *AASB 16 Leases*.

Loss per share

	Consolidated	
	2022 cents	2021 cents
Basic loss per share for continuing operations	(7.17)	(5.62)
Basic loss per share	(7.17)	(5.62)
Diluted loss per share	(7.17)	(5.62)

	Number	Number
Weighted average number of ordinary shares for basic loss per share	92,178,892	89,690,122
Weighted average number of ordinary shares for diluted loss per share	92,178,892	89,690,122

	2022 $	2021 $
Loss used to calculate basic earnings per share	(6,611,515)	(5,040,166)
Loss used to calculate diluted earnings per share	(6,611,515)	(5,040,166)

The weighted average number of ordinary shares for basic loss per share excludes the effects of 267,062 LTIP shares issued on 19 February 2021, 600,000 LTIP shares issued on 4 May 2020 and 250,000 LTIP Shares issued on 2 July 2018 set out in Note 19 as they are contingently returnable.

8. Cash and cash equivalents

	Consolidated	
	2022 $	2021 $
Cash at bank and in hand	20,296,176	29,249,255
Total cash and cash equivalents	**20,296,176**	**29,249,255**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.
The fair value of cash equivalents is $20,296,176 (2021: $29,249,255).

	Consolidated	
	2022 $	2021 $
Reconciliation of Statement of Cash Flows		
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	20,296,176	29,249,255
	20,296,176	**29,249,255**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss after tax	**(6,611,515)**	**(5,040,166)**
Adjustments for non-cash income and expense items:		
Depreciation	790,932	618,033
Amortisation	140,552	140,698
Movement provision for employee benefits	(80,161)	214,908
Movement in foreign exchange	(117,037)	(218,649)
Movement in employee benefits reserve	648,202	756,588
Movement in other provisions	65,422	(5,427)
	(5,163,605)	**(3,534,015)**
Increase/decrease in assets and liabilities:		
(Increase)/Decrease in receivables	(587,987)	685,026
Increase in inventories	(2,781,293)	(775,358)
Decrease in other receivables	744,435	16,745
Decrease in current tax asset	53,814	175,143
Decrease in deferred tax assets	184,595	369,290
Increase in creditors	890,133	1,445,425
Decrease in current tax liabilities	(8,934)	(15,921)
Increase in deferred income liability	4,357	4,255
Net cash flow used in operating activities	**(6,664,485)**	**(1,629,410)**

(b) Non-cash financing and investing activities

All Long Term Incentive Plan (LTIP) shares as set out in Note 26 Share Based Payment Plans are issued by way of loans.

During the year, 660,000 LTIP shares vested (2021: nil) and an election was made to extend the exercise period for up to 1 year, whilst 320,997 LTIP shares lapsed and were cancelled (2021: nil). Refer to Note 19 Contributed Equity and Note 25 Share Based Payment Plans.

No LTIP shares were issued by way of loans during the year (2021: 408,059 LTIP shares issued on 19 February 2021).

9. Trade and other receivables

	Notes	Consolidated 2022 $	Consolidated 2021 $
Current			
Trade receivables, third-parties		5,408,996	4,774,505
Allowance for expected credit loss		(156,919)	(110,415)
Net Trade receivables, third-parties	(i)	5,252,077	4,664,090
Other receivables	(ii), (iii)	2,453,948	3,376,618
Total Current trade and other receivables		**7,706,025**	**8,040,708**
Total trade and other receivables		**7,706,025**	**8,040,708**

Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade receivables are non-interest bearing and generally on 30 and 60-day terms.

(ii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

(iii) The prior year's Other receivables included accrued R&D Tax Incentive of $2,295,638 which was received in January 2022.

(iv) Related party details are set out in the Note 22 Related Party Disclosures.

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2022 $	Consolidated 2021 $
Opening balance	110,415	104,412
Additional provisions recognised	46,504	6,003
Closing balance	**156,919**	**110,415**

10. Inventories

	Consolidated 2022 $	Consolidated 2021 $
Current		
Raw materials at cost	6,665,536	3,870,499
Finished goods at lower of cost or net realisable value	1,691,331	1,692,090
Provision for obsolescence	(64,199)	(51,214)
Total inventory	**8,292,668**	**5,511,375**

11. Property, plant and equipment

Year ended 31 December 2022

Consolidated	Leasehold Land and Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Capital Work in Progress	Total
	$	$	$	$	$	$
1 January 2022 at written down value	320,755	1,287,438	711,067	–	97,388	2,416,648
Additions/Transfers	(50,767)	723,251	601,543	–		1,274,027
Depreciation for the year	(9,746)	(266,704)	(225,060)	–	–	(501,510)
31 December 2022 at written down value	**260,242**	**1,743,985**	**1,087,550**	–	**97,388**	**3,189,165**
1 January 2022						
Cost value	2,435,293	5,326,216	9,014,767	120,901	97,388	16,994,565
Impairment – Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	–	–	(8,860,163)
Accumulated depreciation	(232,578)	(1,429,866)	(3,934,409)	(120,901)	–	(5,717,754)
Net carrying amount	**320,755**	**1,287,438**	**711,067**	–	**97,388**	**2,416,648**
31 December 2022						
Cost value	2,384,043	5,860,574	9,220,014	10,380	97,388	17,572,399
Impairment – Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	–	–	(8,860,163)
Accumulated depreciation	(241,841)	(1,507,677)	(3,763,173)	(10,380)	–	(5,523,071)
Net carrying amount	**260,242**	**1,743,985**	**1,087,550**	–	**97,388**	**3,189,165**

Year ended 31 December 2021

Consolidated	Leasehold Land and Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Capital Work in Progress	Total
	$	$	$	$	$	$
1 January 2021 at written down value	289,866	1,001,216	520,326	–	91,721	1,903,129
Additions/Transfers	40,960	454,272	341,946	–	5,667	842,845
Depreciation for the year	(10,071)	(168,050)	(151,205)	–	–	(329,326)
31 December 2021 at written down value	**320,755**	**1,287,438**	**711,067**	–	**97,388**	**2,416,648**
1 January 2021						
Cost value	2,394,333	4,871,944	8,672,821	120,901	91,721	16,151,720
Impairment – Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	–	–	(8,860,163)
Accumulated depreciation	(222,507)	(1,261,816)	(3,783,204)	(120,901)	–	(5,388,428)
Net carrying amount	**289,866**	**1,001,216**	**520,326**	–	**91,721**	**1,903,129**
31 December 2021						
Cost value	2,435,293	5,326,216	9,014,767	120,901	97,388	16,994,565
Impairment – Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	–	–	(8,860,163)
Accumulated depreciation	(232,578)	(1,429,866)	(3,934,409)	(120,901)	–	(5,717,754)
Net carrying amount	**320,755**	**1,287,438**	**711,067**	–	**97,388**	**2,416,648**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. A collaboration agreement was signed in 2019 between the Group, Cyclotek (Aust) Pty Ltd and the Australian Nuclear Science and Technology Organisation whereby Cyclotek NSW Pty Ltd, a wholly owned subsidiary of Cyclotek (Aust) Pty Ltd, will leverage the cyclotron facility to manufacture new PET diagnostics and undertake research and development activities. However, extensive damage to the cyclotron facility was caused by substantial water damage in June 2014. Restoration to its former operational status has been delayed due to the COVID-19 pandemic. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending completion of the restoration. The Group initially recognises and measures its Land and Buildings, Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures some of its Buildings, Plant and Equipment and its Leasehold Improvements at fair value on a non-recurring basis in accordance with *AASB 136: Impairment of Assets*. Refer Note 2 (aa).

11. Property, plant and equipment (continued)

Fair Value Measurement

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into, as follows:

- Level 1: Measurements based on quoted prices in active markets for identical assets that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than the quoted prices included in Level 1, but that are observable for the asset, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

Cyclopharm's management considers that the inputs used for the fair value measurement are Level 2 inputs.

Valuation techniques

AASB 13 requires the valuation technique used to be consistent with one of the following valuation approaches:

- Market approach: techniques that use prices and other information generated by market transactions for identical or similar assets.
- Income approach: techniques that convert future cash flows or income and expenses into a single discounted present value.
- Cost approach: techniques that reflect the current replacement cost of an asset at its current service capacity.

The Cyclopharm Board decided to cease commercial production at its Cyclotron facility at the end of April 2014 due to the impact on the Group's profits of the government-owned competition. In making that decision, the Board valued the Cyclotron facility, comprised of buildings, leasehold improvements and plant and equipment at a fair value of nil, using the market approach and income approach techniques. The market technique predominantly used recent observable market data for similar new equipment in Australia, adjusted for loss in value caused by physical deterioration, functional obsolescence, economic obsolescence and the industry specific aspects affecting this highly specialised asset i.e. the government-owned competition which had rendered further participation in the molecular imaging industry uneconomic and its future use uncertain. The same industry specific factors were applied to the income approach technique. Both techniques resulted in a fair value of nil being recognised for the Cyclotron facility as at 31 December 2014. Cyclopharm considers that the same conditions still apply at 31 December 2022 as the Cyclotron facility, although now repaired and largely restored, has not been fully restored to its former functionality as intended, after substantial water damage in June 2014. Accordingly, Cyclopharm has concluded that the fair value of the Cyclotron remains at nil as at 31 December 2022.

Inputs used in the market approach technique to measure Level 2 fair values were:

- current replacement cost of the property being appraised less the loss in value caused by physical deterioration, functional obsolescence and economic obsolescence, and industry specific factors set out above.
- historical cost and relevant market data and industry expertise.
- sales comparison for assets where available.

The assessments of the physical condition, functional obsolescence and economic obsolescence are considered Level 3 inputs.

Non-Recurring fair value measurements:

	Level 2	Level 2
	2022 $	2021 $
Buildings	–	–
Plant and equipment	–	–
Leasehold improvements	–	–
Total non-financial assets recognised at fair value	–	–

The highest and best use of the assets in normal circumstances is the value in continued use, using the income approach technique. However, in the current unusual circumstances as set out above, the fair value using this approach is nil.

12. Right-of-use assets

	Consolidated	
	2022 $	2021 $
Land and buildings – right-of-use	5,195,614	5,195,492
Less: Accumulated depreciation	(1,820,733)	(1,538,421)
	3,374,881	**3,657,071**
Motor vehicle – right-of-use	157,989	287,747
Less: Accumulated depreciation	(122,431)	(115,614)
	35,558	**172,133**
Total right-of-use assets	**3,410,439**	**3,829,204**

The Group leases land and buildings for its offices, manufacturing facilities and warehouse under agreements of between two to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are negotiated. The Group also leases plant and equipment under agreements of four years.

13. Investments accounted for using the equity method

Equity accounted investments	Notes	Consolidated 2022 $	Consolidated 2021 $
Associated companies	(a)	–	–

Name	Principal Activities	Principal place of business	Measurement Method	Ownership Interest 2022	Ownership Interest 2021
Macquarie Medical Imaging Pty Ltd	Imaging centre	Sydney, Australia	Equity method	20%	20%

Macquarie Medical Imaging Pty Ltd ("MMI") is a private entity that provided medical imaging facilities for Macquarie University Hospital. From 7 December 2019, the business operations of MMI have been transferred to MQ Health, an entity associated with Macquarie University Hospital.

Extract from the associate's statement of financial position:	Notes	Consolidated 2022 $	Consolidated 2021 $
Current Assets		4,033,133	4,058,487
Current Liabilities		(17,498,514)	(17,495,145)
Net Liabilities		(13,465,381)	(13,436,658)
Share of associate's Net Liabilities	(a)	(2,693,076)	(2,687,332)

Extract from the associate's statement of comprehensive income:	Notes	Consolidated 2022 $	Consolidated 2021 $
Revenue		–	–
Net Loss	(a)	(28,723)	(33,289)

(a) The share of the associate's loss not recognised during the year was $5,745 (2021: loss of $6,657) and the cumulative share of the associate's loss not recognised as at 31 December 2022 was $2,738,463 (31 December 2021: $2,732,718).

The share of loss of associate not recognised as at 31 December 2022 is extracted from the unaudited financial report of the associate, and it may be revised when that financial report has been audited.

The fair value of the Group's investment in Macquarie Medical Imaging Pty Ltd was $nil (2021: $nil). It is anticipated that MMI will be de-registered upon the finalisation of its accounts payable and receivables.

Contingent liabilities

(b) In December 2019, a business venture collaboration agreement combined CycloPet Pty Ltd and Pettech Solutions Limited's cyclotron facilities under a single operating enterprise known as Cyclotek NSW Pty Limited (Cyclotek NSW). Cyclopharm and Cyclotek NSW have entered into a sub-lease agreement as tenants in common whereby Cyclotek NSW is solely responsible for the tenant's obligations except for make good obligations until such time as it exercises the right to transfer its interest as tenant in common to Cyclopharm. Being a tenant in common, Cyclopharm's contingent liabilities as at 31 December 2022 amounts to $3,366,657 (2021: $3,366,657) if Cyclotek NSW is unable to fulfil its obligations as tenant. The amount comprises payments under a sub-lease agreement commencing 1 January 2020 until the expiry of two options to renew expiring on 31 December 2039 with a rent-free period until 31 December 2022.

There were no other contingent liabilities as at the date of this report in respect of MMI or Cyclotek NSW (2021: $nil).

14. Intangible assets

Consolidated	Intellectual Property	Goodwill on consolidation*	Licences	Technegas Development	Target	Ultralute	Total
	$	$	$	$	$	$	$
Balance at 1 January 2022	451,343	865,273	492,667	788,588	27,419	2,796,973	5,422,263
Additions	–	–	20,871	–	–	133,819	154,690
Transfers	(264,875)	–	264,875	–	–	–	–
Amortisation	(24,483)	–	(116,069)	–	–	–	(140,552)
Balance at 31 December 2022	**161,985**	**865,273**	**662,344**	**788,588**	**27,419**	**2,930,792**	**5,436,401**
31 December 2022							
Non-Current	161,985	865,273	662,344	788,588	27,419	2,930,792	5,436,401
Total	**161,985**	**865,273**	**662,344**	**788,588**	**27,419**	**2,930,792**	**5,436,401**
31 December 2021							
Non-Current	451,343	865,273	492,667	788,588	27,419	2,796,973	5,422,263
Total	**451,343**	**865,273**	**492,667**	**788,588**	**27,419**	**2,796,973**	**5,422,263**

* Goodwill on consolidation arising upon the acquisition of Cyclomedica Benelux bvba on 1 October 2017 and Cyclomedica Nordic AB on 1 May 2018.

The following assumptions are noted in respect of the following intangible assets: (a) Goodwill, (b) Technegas™ Development and (c) Ultralute™.

The recoverable amount of intangible assets have been assessed using a discounted cash flow methodology forecasting five years of pre-tax cash flows.

The following describes each key assumption on which management has based its value in use calculations:

(a) Five-year pre-tax cash flow projections, based upon management approved budgets and growth rates covering a one year period, with the subsequent periods based upon management expectations of growth excluding the impact of possible future acquisitions, business improvement capital expenditure and restructuring, together with a terminal value.

(b) The pre-tax discount rates used were between 5.77% to 25% (2021: between 5.92% to 25%). The discount rates reflect management's estimate of the time value of money and the Group's adjusted weighted average cost of capital to reflect the current market risk–free rate but also price for the uncertainty inherent in the assets.

(c) Management believes the projected 3% (2021: 4%) revenue growth rate for existing markets (2021: no sales to the US market is assumed) is prudent and justified, based on the rebound in Technegas™ sales after the prior year pandemic impact.

No changes in estimations were made by management compared to prior years other than the change in projected revenue growth rate for existing markets and the inclusion of sales to the US market. The key assumptions used for assessing the carrying value of intangible assets reflects the risk estimates of the business and respective assets.

There were no other key assumptions for Goodwill, Technegas™ Development costs and Ultralute™ costs.

The Directors have concluded that the recoverable amount of Goodwill, Technegas™ Development costs, and Ultralute™ costs exceed their carrying values. Based on the above, no impairment charge was recognised.

Sensitivity

As disclosed in note 2(aa), the Directors have made judgements and estimates in respect of impairment. Should these judgements and estimates not occur the resulting carrying amounts may change.

Goodwill

All other assumptions remaining constant, the sensitivity in the value of goodwill is that revenue would need to decrease by more than 7%.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of Goodwill is calculated would not cause the carrying amount to exceed its recoverable amount.

Technegas™ development and Ultralute™ development costs

Sensitivity analysis has been performed by adjusting underlying assumptions by up to 10%. The analysis indicated that headroom exists in the cash flow projections to support the carrying value of the intangible assets.

15. Trade and other payables

	Notes	Consolidated 2022 $	Consolidated 2021 $
Current			
Trade payables, third-parties	(i)	4,399,786	2,174,047
Other payables and accruals	(ii)	1,627,295	1,521,898
Deposits from customers		475,839	2,211,683
Total current trade and other payables		**6,502,920**	**5,907,628**
Total trade and other payables		**6,502,920**	**5,907,628**

Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

(ii) Other payables and accruals are non-interest bearing and have an average term of 4 months.

(iii) Related party details are set out in the Note 22 Related party disclosures.

16. Lease liabilities

	Consolidated 2022 $	Consolidated 2021 $
Current		
Lease liabilities	209,992	178,265
Lease liabilities (current)	**209,992**	**178,265**
Non-current		
Lease liabilities	4,121,592	4,331,502
Lease liabilities (non-current)	**4,121,592**	**4,331,502**
Total lease liabilities	**4,331,584**	**4,509,767**

17. Provisions

		Consolidated	
		Employee Entitlements $	Total $
Balance at 1 January 2022		1,260,188	1,260,188
Arising during the year		724,530	724,530
Utilised		(804,691)	(804,691)
Balance at 31 December 2022		**1,180,027**	**1,180,027**
31 December 2022			
Current		1,133,574	1,133,574
Non-Current		46,453	46,453
Total		**1,180,027**	**1,180,027**
Number of employees			
Number of employees at year end	63		
31 December 2021			
Current		1,234,259	1,234,259
Non-Current		25,929	25,929
Total		**1,260,188**	**1,260,188**
Number of employees			
Number of employees at year end	51		

A provision has been recognised for employee entitlements relating to long service and annual leave. The measurement and recognition criteria relating to employee benefits have been disclosed in Note 2(r).

18. Deferred income liabilities

	2022 $	2021 $
Deferred income liabilities	**901,812**	**897,455**

A portion of the Research & Development Grant refund received during the year has been recognised as deferred income liabilities and will be amortised over the same period as the amortisation of the related intangible development asset.

19. Contributed equity

	Notes	Consolidated 2022 Number	2021 Number	2022 $	2021 $
Issued and paid up capital					
Ordinary shares	(a)	93,053,826	93,374,823	68,753,968	68,307,598
Other contributed equity	(b)	–	–	(5,333,158)	(5,333,158)
Total issued and paid up capital		**93,053,826**	**93,374,823**	**63,420,810**	**62,974,440**
(a) Ordinary shares					
Balance at the beginning of the period		93,374,823	80,274,455	68,307,598	36,965,377
Issue of Long Term Incentive Plan shares	(i)	–	408,059	–	–
Issue of shares to Managing Director	(ii)	–	12,692,309	–	33,000,003
Share issue cost (net of tax)		–	–	–	(1,657,782)
Cancellation of expired Long Term Incentive Plan shares	(iii)	(320,997)	–	–	–
Settlement of loan for Long Term Incentive Plan shares	(iv)	–	–	446,370	–
Balance at end of period		**93,053,826**	**93,374,823**	**68,753,968**	**68,307,598**
(b) Other contributed equity					
Balance at the beginning and end of the period		–	–	**(5,333,158)**	**(5,333,158)**

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) On 19 February 2021, 408,059 LTIP shares were issued at an exercise price of $3.20 per share under the non-recourse loan payment plan, as set out in Note 25.

(ii) On 1 February 2021, 11,538,462 ordinary shares were issued at a price of $2.60 per share in connection with an institutional share placement and on 19 February 2021, 1,153,847 ordinary shares were issued at a price of $2.60 per share in connection with a share purchase plan to eligible shareholders.

(iii) 320,997 lapsed Long Term Incentive Plan shares were cancelled on 4 October 2022.

(iv) Proceeds from settlement of loan to acquire LTIP shares.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management constantly assesses the capital structure to take advantage of favourable costs of capital and/or high returns on assets. As the market is continually changing, management may issue dividends to shareholders, issue new shares, increase the entity's short or long term borrowings or sell assets to reduce borrowings.

As at 31 December 2022, the Group has no interest bearing loans and borrowings.

	Notes	Consolidated 2022 $	2021 $
Total interest bearing loans and borrowings		–	–
Add: cash and cash equivalents	8	20,296,176	29,249,255
Net cash		**20,296,176**	**29,249,255**
Total equity		36,536,610	43,067,734
Gearing ratio		0.0%	0.0%

19. Contributed equity (continued)

Dividends

During the current financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2022 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021. During the 2021 financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2020.

The final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2022 has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2022.

	Consolidated			
	2022 Cents per share	2021 Cents per share	2022 $	2021 $
Fully paid ordinary shares				
Final dividend in respect of the previous financial year				
– No franking credits attached	0.50	0.50	441,296	440,659
Interim dividend in respect of the current financial year				
– No franking credits attached	0.50	0.50	441,296	440,660
	1.00	**1.00**	**882,592**	**881,319**

20. Financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analysis and monitoring of specified credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board review and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority from the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

20 Financial risk management objectives (continued)

(a) Interest rate risk

As the Group has moved into a no debt, strong cash position, the main interest rate risk is now in cash assets exposure.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the Statement of Financial Position date.

At 31 December 2022, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit would have been affected as follows:

	Consolidated	
	2022 $	2021 $
Judgements of reasonably possible movements:		
Loss before income tax		
+1.0% (100 basis points)	202,962	292,493
-0.5% (50 basis points)	(101,481)	(146,246)

The movements in profit/(loss) are due to possible higher or lower interest income from cash balances.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

Consolidated Year ended 31 December 2022	Note	Weighted average interest rate %	Non interest bearing $	Floating interest rate $	Fixed interest maturing in 1 year or less $	1 to 5 years $	More than 5 years $	Total $
Financial Assets								
Cash and cash equivalents	8	1.37%	–	20,296,176	–	–	–	20,296,176
Trade and other receivables	9	n/a	7,706,025	–	–	–	–	7,706,025
Total financial assets			**7,706,025**	**20,296,176**	**–**	**–**	**–**	**28,002,201**
Financial Liabilities								
Trade payables, third-parties	15	n/a	6,502,920	–	–	–	–	6,502,920
Leases, third-party	16	4.50%	–	–	209,992	812,863	3,308,729	4,331,584
Total financial liabilities			**6,502,920**	**–**	**209,992**	**812,863**	**3,308,729**	**10,834,504**
Net exposure			**1,203,105**	**20,296,176**	**(209,992)**	**(812,863)**	**(3,308,729)**	**17,167,697**

Consolidated Year ended 31 December 2021	Note	Weighted average interest rate %	Non interest bearing $	Floating interest rate $	Fixed interest maturing in 1 year or less $	1 to 5 years $	More than 5 years $	Total $
Financial Assets								
Cash and cash equivalents	8	0.03%	–	29,249,255	–	–	–	29,249,255
Trade and other receivables	9	n/a	8,040,708	–	–	–	–	8,040,708
Total financial assets			**8,040,708**	**29,249,255**	**–**	**–**	**–**	**37,289,963**
Financial Liabilities								
Trade payables, third-parties	15	n/a	5,907,628	–	–	–	–	5,907,628
Leases, third-party	16	4.50%	–	–	178,265	812,760	3,518,742	4,509,767
Total financial liabilities			**5,907,628**	**–**	**178,265**	**812,760**	**3,518,742**	**10,417,395**
Net exposure			**2,133,080**	**29,249,255**	**(178,265)**	**(812,760)**	**(3,518,742)**	**26,872,568**

20 Financial risk management objectives (continued)

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to scrutinise the counterparty's trade and other receivables. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures such as reviewing their industry reputation, financial position and credit rating. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is constantly managed.

There are no significant unprovided concentrations of credit risk within the Group.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group has no borrowings as at 31 December 2022.

Refer to the table above in Note 20(a) Interest Rate Risk, which reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investments in working capital e.g. inventories and trade receivables and investment in property, plant and equipment. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Board and management monitor the Group's expected settlement of financial assets and liabilities on an ongoing basis.

The Group monitors the rolling forecast of liquidity reserves based on expected cash flow.

Consolidated Year ended 31 December 2022	Note	Less than 6 months $	6 months to 1 year $	1 year to 5 years $	Greater than 5 years $	Total $
Trade payables, third-parties	15	6,502,920	–	–	–	6,502,920
Leases, third-party	16	103,883	106,109	812,863	3,308,729	4,331,584
		6,606,803	**106,109**	**812,863**	**3,308,729**	**10,834,504**

Consolidated Year ended 31 December 2021	Note	Less than 6 months $	6 months to 1 year $	1 year to 5 years $	Greater than 5 years $	Total $
Trade payables, third-parties	15	5,907,628	–	–	–	5,907,628
Leases, third-party	16	88,188	90,077	812,760	3,518,742	4,509,767
		5,995,816	**90,077**	**812,760**	**3,518,742**	**10,417,395**

(d) Commodity price risk

The Group's exposure to commodity price risk is minimal.

20 Financial risk management objectives (continued)

(e) Foreign currency risk

As a result of significant investment operations in Europe, the Group's Statement of Financial Position can be affected significantly by movements in the EURO/A$ exchange rates. The Group does not hedge this exposure but mitigates this risk by maintaining bank accounts in Australia denominated in USD.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 66% (2021: 79%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 50% (2021: 53%) of costs are denominated in the unit's functional currency.

At 31 December 2022, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated	
	2022 $	2021 $
United States dollars		
Amounts payable	252,594	237,136
Amounts receivable	–	–
Euros		
Amounts payable	229,703	147,022
Amounts receivable	1,508,591	1,909,390
Canadian dollars		
Amounts payable	123,666	80,011
Amounts receivable	427,871	237,393
Swedish Kroners		
Amounts payable	634,107	355,769
Amounts receivable	1,441,833	923,908
Japanese Yen		
Amounts payable	10,104	10,104
Amounts receivable	–	5,771
Great British Pound		
Amounts payable	55,796	8,054
Amounts receivable	245,643	244,716
Net exposure	**(2,317,968)**	**(2,483,082)**

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Forward Exchange Contracts

The Company has not entered into foreign exchange forward contracts as at 31 December 2022.

Fair values

All of the Group's financial instruments recognised in the Statement of Financial Position have been assessed at their fair values using Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

20 Financial risk management objectives (continued)

Foreign currency sensitivity

Currency risk is measured using sensitivity analysis. A portion of Cyclopharm's receivables and payables are exposed to movements in the values of those currencies relative to the Australian dollar. Cyclopharm management have determined that it is not cost effective to hedge against foreign currency fluctuations.

Cyclopharm is most exposed to European Euro (Euro), Canadian Dollar (CAD), US Dollar (USD), Swedish Kroner (SEK) and Great British Pound (GBP) movements. The following table details Cyclopharm's sensitivity to a 10% change in the Australian dollar against those respective currencies with all other variables held constant as at reporting date for unhedged foreign exposure risk. A positive number indicates an increase in net profit/equity.

A sensitivity has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historic basis and market expectation for future movement.

	Consolidated	
	Increase in AUD of 10% $	Decrease in AUD of 10% $
Euro		
31 December 2022		
Net (loss)/profit	(108,560)	119,416
Equity (decrease)/increase	(108,560)	119,416
31 December 2021		
Net (loss)/profit	(130,113)	143,125
Equity (decrease)/increase	(130,113)	143,125
CAD		
31 December 2022		
Net (loss)/profit	(27,655)	30,421
Equity (decrease)/increase	(27,655)	30,421
31 December 2021		
Net (loss)/profit	(14,307)	15,738
Equity (decrease)/increase	(14,307)	15,738
USD		
31 December 2022		
Net profit/(loss)	22,963	(25,259)
Equity increase/(decrease)	22,963	(25,259)
31 December 2021		
Net profit/(loss)	21,558	(23,714)
Equity increase/(decrease)	21,558	(23,714)
SEK		
31 December 2022		
Net (loss)/profit	(73,430)	80,773
Equity (decrease)/increase	(73,430)	80,773
31 December 2021		
Net (loss)/profit	(51,649)	56,814
Equity (decrease)/increase	(51,649)	56,814
GBP		
31 December 2022		
Net (loss)/profit	(17,259)	18,985
Equity (decrease)/increase	(17,259)	18,985
31 December 2021		
Net (loss)/profit	(21,515)	23,666
Equity (decrease)/increase	(21,515)	23,666

21. Commitments & contingencies

(a) Capital commitments

The Company has the following capital expenditure commitments contracted for property, plant and equipment:

	Consolidated	
	2022 $	2021 $
Not later than one year	–	879,772
Total	–	**879,722**

During the prior year, Cyclomedica Australia Pty Ltd entered into contracts to upgrade the cleanroom, ventilation and air conditioning facilities at its Kingsgrove manufacturing premises.

Cyclopharm has entered into agreements to fund research projects with unrelated institutions. The commitments for these projects total $264,024 (2021: $326,211) and will be expensed when incurred. Payments will be made based on the achievement of certain milestones.

There were no other capital commitments as at the date of this report.

(b) Contingent liabilities

In December 2019, a business venture collaboration agreement combined CycloPet Pty Ltd and Pettech Solutions Limited's cyclotron facilities under a single operating enterprise known as Cyclotek NSW Pty Limited (Cyclotek NSW). Cyclopharm and Cyclotek NSW have entered into a sub-lease agreement as tenants in common whereby Cyclotek NSW is solely responsible for the tenant's obligations except for make good obligations until such time as it exercises the right to transfer its interest as tenant in common to Cyclopharm. Being a tenant in common, Cyclopharm's contingent liabilities as at 31 December 2022 amounts to $3,366,657 (2021: $3,366,657) if Cyclotek NSW is unable to fulfil its obligations as tenant. The amount comprises payments under a sub-lease agreement commencing 1 January 2020 until the expiry of two options to renew expiring on 31 December 2039 with a rent-free period until 31 December 2022.

There were no other contingent liabilities as at the date of this report (2021: $nil).

22. Related party disclosures

The consolidated financial statements include the financial statements of Cyclopharm and its subsidiaries as listed below. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to Note 9 Trade and Other Receivables and Note 15 Trade and Other Payables):

		Purchases from related parties	Amounts owed to related parties
		$	$
Cell Structures Pty Ltd	**2022**	–	–
Cell Structures Pty Ltd	2021	50,069	–

Ultimate parent entity

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

Terms and conditions of transactions with related parties

- During the prior year, payments of $50,069 were made to Cell Structures Pty Ltd (an entity controlled by a former Director, Mr. Tom McDonald). All payments related to Mr. McDonald's role as a non-executive director including consultancy services provided by him prior to his cessation on 1 December 2021.

Transactions between related parties are at normal commercial prices and on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Controlled Entities

		Country of Incorporation	Percentage of equity interest held	
Name	Note		2022	2021
Cyclopharm Limited	1,2	Australia		
Controlled entities				
CycloPET Pty Ltd	2	Australia	100%	100%
Cyclomedica Australia Pty Limited	2	Australia	100%	100%
Cyclomedica Ireland Limited	3	Ireland	100%	100%
Cyclomedica Europe Limited	3	Ireland	100%	100%
Cyclomedica Benelux bvba	4	Belgium	100%	100%
Cyclomedica Nordic AB	5	Sweden	100%	100%
Cyclomedica Germany GmbH	6	Germany	100%	100%
Cyclomedica Canada Limited	7	Canada	100%	100%
Cyclomedica USA LLC	8	United States of America	100%	100%
Cyclomedica UK Ltd	9	United Kingdom	100%	100%
Cyclomedica New Zealand Limited	10	New Zealand	100%	100%

Notes
1. Cyclopharm Limited is the ultimate parent entity in the wholly owned group.
2. Audited by Nexia Sydney Audit Pty Ltd, Australia.
3. Audited by Andrew P. Quinn & Associates Limited, Republic of Ireland.
4. Audited by VGD Gent, Belgium.
5. Audited by Nexia Revision, Stockholm, Sweden.
6. Audited by Bilanzia GmbH Wirtschaftsprufungsgesellschaft, Germany.
7. Audited by Schwartz Levitsky & Feldman LLP, Toronto, Canada.
8. Dormant.
9. Audited by Saffery Champness LLP, Bristol, United Kingdom .
10. Dormant.

23. Events after the balance date

Final dividend

On 20 February 2023, the Directors declared a final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2022, payable on 4 April 2023.

Shares issued

On 23 March 2023, 642,500 long term incentive plan shares were issued at an exercise price of $1.82 per share.

Ongoing litigation

A further judgement totalling approximately Euro 0.4 million in favour of Cyclopharm was handed down in Germany against Mr Altmann in December 2022. Given the timing of receipt of the official judgment and further consequential court actions required to be taken in January 2023 to enable enforcement of the judgment award, this favourable outcome is an event subsequent to the close of 2022 financials. As a consequence, the financial benefit will be recorded in 2023.

No other matters or circumstances have arisen since the end of the financial year, 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.

24. Auditors' remuneration

The following total remuneration was received, or is due and receivable, by auditors of the Company in respect of:

	Consolidated	
	2022 $	2021 $
Amounts received or due and receivable by the auditor of the parent entity and associated entities for:		
Audit and review of the financial statements	138,138	140,670
Other services:		
– tax compliance	26,909	18,982
– share registry	–	40,222
	165,047	**199,874**
Amounts received or due and receivable by other audit firms for:		
Audit of the financial statements of controlled entities	175,905	133,471
Other services	109,206	113,159
	285,111	**246,630**

25. Director and key management personnel disclosure

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the Remuneration Report Section of the Directors' report.

Summary of remuneration of Directors & Key Management Personnel:

	Short-term employee benefits		Post employment benefits	Other long-term benefits	Share-based payment	Total
	Salary and Fees $	Cash Bonus $	Super-annuation $	$	$	$
2022	**927,281**	**36,496**	**97,350**	**18,782**	**340,994**	**1,420,903**
2021	866,146	30,000	77,604	14,420	545,925	1,534,095

Short-term salary, bonus, fees and leave

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other Key Management Personnel.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for superannuation contributions made during the year.

Other long term benefits

These amounts represent long service leave benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid out during the year (where applicable).

Share based payment expense

These amounts represent the expense related to the participation of Key Management Personnel in equity-settled benefit schemes as measured by the fair value of the Implied Options granted on grant date.

Further information in relation to Key Management Personnel remuneration can be found in the Directors' Report.

26. Share based payment plans

(a) Recognised share-based payment expenses

The expense recognised for employee services received in relation to share based payments during the year is shown in the table below:

	Consolidated	
	2022 $	2021 $
Expense arising from equity-settled share-based payment transactions (note 5)	648,202	756,588

The share-based payment reserve at 31 December 2022 was $3,241,763 (2021: $2,593,561).

(b) Share-based payment other than implied options

No share-based payments other than implied options were made during the year.

(c) Type of share based payment plans

The share-based payment plan is described below. An updated Plan was approved by members at the Annual General Meetings held on 29 May 2018 and 4 May 2021.

Shares

Long Term Incentive Plan ("Plan") Shares ("Shares") are granted to certain Directors and certain employees.

In valuing transactions settled by way of issue of shares, performance conditions and market conditions linked to the price of the shares of Cyclopharm Limited are taken into account. All shares issued have market performance conditions so as to align shareholder return and reward for the Company's selected management and staff ("Participants").

The Shares vest upon the satisfaction of certain performance conditions ("Hurdles") within the term ("Term") specified for Participants in the Plan. The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Hurdles) and exercise of Shares in the event of a takeover or merger or any other circumstance in accordance with the terms of the Plan.

Shares in relation to which Hurdles have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in the circumstances described below. However, the Board may at any time amend any rules governing the operation of the Plan or waive or modify the application of the rules in relation to any Participant. Shares which have not vested will lapse where a Participant ceases employment with Cyclopharm other than on retirement, redundancy, death or total and permanent disablement or unless as otherwise determined by the Board in its absolute discretion.

Where a Participant has ceased employment with Cyclopharm as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period, only shares that have vested may be retained by the Participant on a pro-rata basis. If a Participant ceases employment for any reasons mentioned above prior to the first anniversary of the grant date, the Participant forfeits all entitlement to Shares.

LTIP Shares issued

At the Annual General Meeting held on 8 May 2007, Shareholders approved the Company's Plan with an updated Plan approved by Shareholders on 29 May 2018 and 4 May 2021.

Implied Options

AASB 2 Share Based Payments requires that the benefit to an employee arising from an employee share scheme such as the Cyclopharm Long Term Incentive Plan be treated as an expense over the vesting period. All of the issues of Plan shares have been treated as Plan Share Options ("Implied Options") in accordance with AASB 2. The employee benefit is deemed to be the Implied Option arising from the Plan. Consequently, the value of the discount which has been determined using the Black Scholes option pricing model will be charged to the Statement of Comprehensive Income and credited to the Employee Equity Benefits Reserve over the vesting period.

Where employee shares are issued under a non-recourse loan payment plan, the loan assets and the increments to Contributed Equity are not recognised at grant date but rather the increments to Contributed Equity are recognised when the share loans are settled by the relevant employees.

26. Share based payment plans (continued)

(d) Summary of Options and Implied Options granted

The following table summarises the movements in Options and Implied Options during the current year:

		Consolidated		Weighted Average Exercise Price	
		2022 Number	2021 Number	2022 $	2021 $
Balance at the beginning of the year		2,853,059	2,445,000	1.33	1.34
Granted during the year		–	408,059	–	3.20
Vested but unexercised during the year	(i)	(910,000)	–	–	–
Exercised during the year		(325,000)	–	–	–
Lapsed during the year		(300,997)	–	–	–
Balance at the end of the year		**1,317,062**	**2,853,059**	**1.50**	**1.33**
Vested but unexercised at the end of the year		3,453,020	2,590,236		

(i) 660,000 LTIP shares (2021: nil) vested during the year.

(e) Range of exercise price, weighted average remaining contractual life and weighted average fair value

The weighted average exercise price for Options and Implied Options at the end of the year was $1.50 (2021: $1.33). The weighted average remaining contractual life for the Options and Implied Options outstanding as at 31 December 2022 is 0.90 years (2021: 0.91 years). The weighted average fair value of Options and Implied Options granted during the year was $nil (2021: $1.02).

(f) Option pricing models

The following assumptions were used to derive a value for the Options and Implied Options granted using the Black Scholes Option model as at the grant date, taking into account the terms and conditions upon which the Shares were granted:

	Options	Implied Options	Implied Options	Implied Options	Implied Options
Exercise price per Option	**$0.00**	**$1.22**	**$1.55**	**$3.20**	**$3.20**
Number of recipients	1	2	1	25	1
Number of Options	200,000	600,000	250,000	264,062	3,000
Grant date	27/5/2019	4/5/2020	2/7/2018	19/2/2021	19/2/2021
Dividend yield	–	–	–	–	–
Expected annual volatility	42.99%	51.00%	41.00%	61.00%	61.00%
Risk-free interest rate	1.23%	0.22%	2.09%	0.08%	0.37%
Expected life of Option (years)	6.18 years	3.07 years	*4.92 years	3 years	6 years
Fair value per Option	$1.310	$0.379	$0.245	$1.012	$1.447
Share price at grant date	$1.31	$1.16	$0.99	$2.79	$2.79
Model used	Expensed at market price at grant date over expected life of Option	Black Scholes	Black Scholes	Black Scholes	Black Scholes

* Extended to 31 May 2023.

Expected volatility percentages used for the Option pricing calculations were determined using historic data over 24 months and were adjusted to reflect comparable companies in terms of industry and market capitalisation. The Options and Implied Options are not listed and as such do not have a market value.

27. Parent entity disclosure

	2022 $	2021 $
(i) Financial Position		
Assets		
Current Assets	14,960,192	22,779,449
Non-current Assets	47,967,544	41,677,103
Total Assets	**62,927,736**	**64,456,552**
Liabilities		
Current Liabilities	486,736	253,730
Non-current Liabilities	10,323,448	10,323,448
Total Liabilities	**10,810,184**	**10,577,178**
Net assets	**52,117,552**	**53,879,374**
Equity		
Contributed equity	63,621,343	63,174,973
Employee equity benefits reserve	3,241,763	2,593,561
Accumulated Losses	(14,745,554)	(11,889,160)
Total Equity	**52,117,552**	**53,879,374**
(ii) Financial Performance		
Loss for the year	(1,973,802)	(23,761)
Other comprehensive income	–	–
Total comprehensive income for the year	**(1,973,802)**	**(23,761)**

28. Reserves

Nature and purpose of reserves:

(a) Employee equity benefits reserve

The employee share based payments reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

(b) Foreign currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Directors' Declaration

In the opinion of the Directors of Cyclopharm Limited:

1. (a) The financial statements and notes of the consolidated entity as set out on pages 38 to 78 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 31 December 2022 and of its performance for the year ended on that date; and
   (ii) complying with Accounting Standards which, as stated in accounting policy Note 2(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2022.

Signed in accordance with a resolution of the Directors:

James McBrayer
Managing Director and CEO

Sydney, 31 March 2023

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Independent Auditor's Report to the Members of Cyclopharm Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cyclopharm Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalised Development Costs for Ultralute ($2,930,792) Refer to note 14 Included in the Group's intangible assets are capitalised development costs $2,930,792 in respect of the Ultralute product. Capitalised Ultralute development costs are considered to be a key audit matter due to the quantum of the asset; the degree of management judgement and assumptions applied in measuring the carrying value of the asset; and assessing the presence of impairment of a development phase asset. The most significant and sensitive judgments incorporated into the assessment for impairment of capitalised development costs include projections of cash flows, discount rates applied and assumptions regarding the Group's ability to exploit new markets. Other considerations and judgments include whether the capitalised costs qualify for capitalisation as development phase costs in accordance with AASB 138 *Intangible Assets*. This includes an understanding of the Group's process for recording and measuring internally developed assets and the Group's ability to complete the development and demonstrate its ability to generate future cash flows from that asset.	Our procedures included, amongst others: ▪ We assessed the project against the requirements for capitalisation contained in AASB 138 *Intangible Assets*. ▪ We tested material expenditure capitalised during the year and checked that they were appropriately allocated to the development asset. ▪ We assessed management's determination of the Group's cash generating units based on our understanding of the nature of the Group's business and how earnings streams are monitored and reported. ▪ We tested the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue, cost, capital expenditure, and discount rates by corroborating the key market related assumptions to external data and by reference to our understanding of the business. ▪ We performed sensitivity analysis in two main areas to assess whether the carrying value of the capitalised development costs exceeded its recoverable amount. These were the discount rate and growth assumptions.
Inventory Valuation and existence ($8,292,668) Refer to note 10 The Group holds a significant amount of inventory which are complex medical machines with significant useful lives. Inventory may be held for long periods of time before sale making it vulnerable to obsolescence or theft. Further, deterioration in global economic conditions can potentially lead to this inventory being sold at reduced prices or lead to a reduction in revenue. The inventory is considered to be a key audit matter due to the significant increase of inventory at year end in anticipation of entering new markets. As a result, there is a risk that inventory is carried in excess of its net realisable value.	Our procedures included, amongst others: ▪ We performed stocktake procedures on a sample of inventory items to ascertain their existence at balance date. ▪ We agreed a sample of inventory items to purchase invoices to test that costs assigned to inventories are appropriate. ▪ We agreed a sample of raw materials through to the assembled finished good to determine whether these were assembled in accordance with the underlying sub-assemblies and related bill of materials. ▪ We obtained evidence that inventory did not exceed its net realisable value by: - Checking a sample of inventory items to subsequent selling prices;

Key audit matter	How our audit addressed the key audit matter
	- Reviewing aged inventory report for any slow moving items; and - Considering management's plans for entering new markets.

Other information

The directors are responsible for the other information. The other information comprises the information in Cyclopharm Limited's annual report for the year ended 31 December 2022, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 35 of the directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Cyclopharm Limited for the year ended 31 December 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Dated: 31 March 2023

ASX Additional Information

The following information is current at 28 February 2023.

A. Substantial Shareholders

The following have advised that they have a relevant interest in the capital of Cyclopharm Limited. The holding of a relevant interest does not infer beneficial ownership . Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

Shareholder	No. of ordinary shares held	Percentage held of issued ordinary capital
Anglo Australian Christian and Charitable Fund	13,211,332	14.20%
Barings Acceptance Limited	11,444,962	12.30%
HSBC Custody Nominees (Australia) Limited - A/c 2	10,023,994	10.77%
National Nominees Limited	9,732,155	10.46%
Chemical Overseas Limited	8,005,769	8.60%
CVC Limited	6,644,758	7.14%
Mr James McBrayer	5,109,580	5.49%

B. Distribution of Equity Security Holders

(i) Analysis of numbers of equity security holders by size of holding as at 28 February 2023.

Category	Ordinary Shareholders	Percentage held of issued ordinary capital
1 – 1,000	349	0.18%
1,001 – 5,000	510	1.56%
5,001 – 10,000	239	2.00%
10,001 – 100,000	283	8.05%
100,001 and over	57	88.21%
Total	**1,438**	**100.00%**

(ii) There were 133 holders of less than a marketable parcel of ordinary shares.

C. Equity Security Holders

	Twenty largest quoted equity security holders	Number held	Percentage of issued shares
1	Anglo Australian Christian and Charitable Fund	13,211,332	14.20%
2	Barings Acceptance Limited	11,444,962	12.30%
3	HSBC Custody Nominees (Australia) Limited - A/c 2	10,023,994	10.77%
4	National Nominees Limited	9,732,155	10.46%
5	Chemical Overseas Limited	8,005,769	8.60%
6	CVC Limited	6,644,758	7.14%
7	Citicorp Nominees Pty Limited	3,524,128	3.79%
8	McBrayer Reid Investments Pty Ltd - LTIP 6	1,721,554	1.85%
9	UBS Nominees Pty Ltd	1,565,665	1.68%
10	Chemical Overseas Limited	1,182,239	1.27%
11	Phillips River Pty Ltd <GAT AC>	1,038,914	1.12%
12	Lloyds & Casanove Investment Partners Ltd	987,503	1.06%
13	Mr James McBrayer	861,728	0.92%
14	Mr James McBrayer	861,728	0.92%
15	South Seas Holdings Pty Limited	686,538	0.74%
16	City & Westminster Limited	556,327	0.60%
17	McBrayer Reid Investments Pty Limited	500,000	0.54%
18	Mathew Farag <LTIP Account Holding 4>	500,000	0.54%
19	Brispot Nominees Pty Ltd	453,202	0.49%
20	Malackey Holdings Pty Ltd	431,758	0.46%
		73,934,254	79.45%
	Other equity security holders	19,119,572	20.55%
	Total	**93,053,826**	**100.00%**

D. Voting Rights

The Company's constitution details the voting rights of members and states that every member, present in person or by proxy, shall have one vote for every ordinary share registered in his or her name.

Corporate directory

Directors

David Heaney
Non-Executive Chairman

James McBrayer
Managing Director & CEO

Dianne Angus
Non-Executive Director

Kevin Barrow
Non-Executive Director

Professor Greg King
Non-Executive Director

Company Secretary
James McBrayer

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CycloPET Pty Limited

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Cyclomedica Canada Limited

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Canada

Cyclomedica Germany GMBH

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Germany

Cyclomedica Europe Ltd

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Calmount Business Park
Ballymount
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Ireland

Cyclomedica Nordic AB

Gustavslundsvagen 145
SE-16751 Bromma
Sweden

Cyclomedica Benelux bvba

Rue des Francs 79
Etterbeek 1040
Belgium

Cyclomedica UK Ltd

Suite 1 Braebourne House
Axis 4/5 Woodlands
Almondsbury Business Park
Bristol
United Kingdom BS32 4JT

Auditors

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Sydney NSW 2000
Australia

Share Registry

Automic Pty Limited
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T: 02 9698 5414
F: 02 8583 3040
E: hello@automic.com.au
W: www.automic.com.au

Bankers

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

Solicitors

HWL Ebsworth
Level 19, 480 Queen Street
Brisbane QLD 4001
Australia

Securities Exchange Listing

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

Corporate Governance Statement

https://www.cyclopharm.com/corporate-governance/

cyclopharm
Nuclear Medicine

www.cyclopharm.com