Annual Report 2021

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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2021 Highlights

Record Group sales revenue
$17.70m
up 20.6%

Third-party distribution revenues
$4.10m

USFDA
Clinical trials for Technegas™ have met Primary and Secondary endpoints

Maintained full year Dividends at
1.0cps

Summary Financials

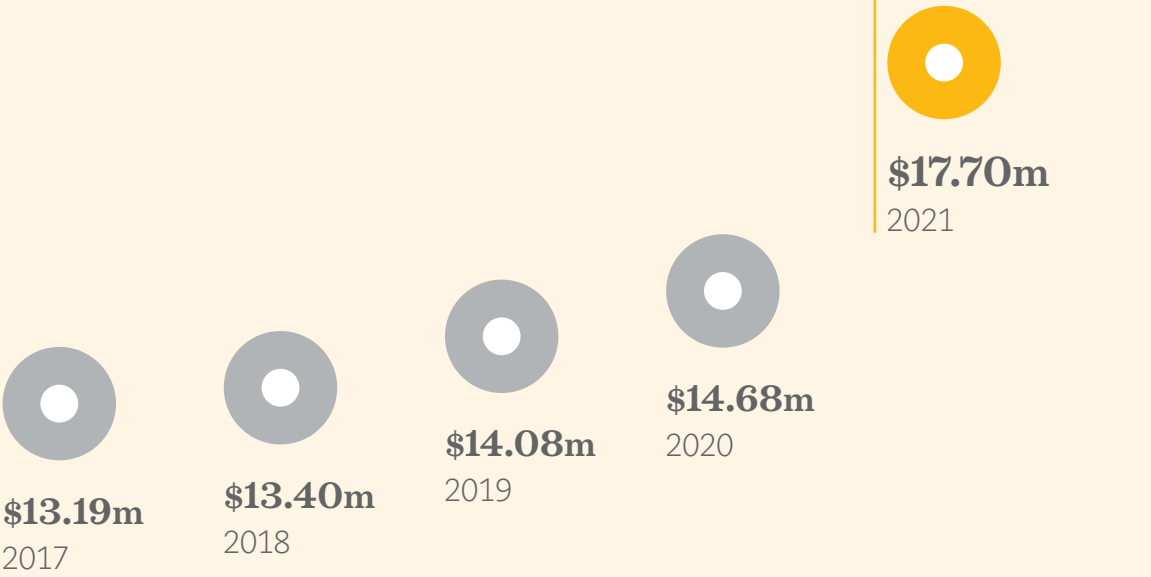
	2019 $'000	2020 $'000	2021 $'000	Change %
Sales Revenue				
Technegas™ Division	14,079	14,523	17,312	19.2%
Molecular Imaging Division	–	153	392	156.2%
Total Sales Revenue	**14,079**	**14,676**	**17,704**	**20.6%**
Net Loss Before Tax				
Technegas™ Division	(3,171)	(5,983)	(4,652)	(22.3%)
Molecular Imaging Division	746	139	305	119.4%
Total Net Loss Before Tax	**(2,425)**	**(5,844)**	**(4,347)**	**(25.6%)**
Loss After Tax	**(2,912)**	**(6,044)**	**(5,040)**	**(16.6%)**

Full Year ending 31 December	2019 cents	2020 cents	2021 cents	Change %
Diluted Loss Per Share	(4.28)	(7.89)	(5.62)	(28.8%)

Sales revenue

Five year history

up 20.6%



$13.19m
2017

$13.40m
2018

$14.08m
2019

$14.68m
2020

$17.70m
2021

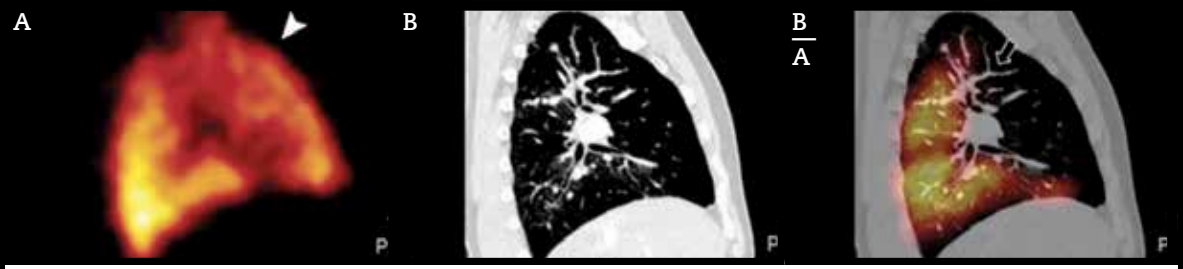
What is Pulmonary Embolism?

Pulmonary embolism (PE) is a blood clot in the lung… the clot starves the body of Oxygen.

It is estimated that approximately 3 million people suffer from a PE every year, however, the number is likely to be much higher. If left untreated, 30% of PE is fatal. That is why there's so much effort in trying to diagnose the condition.

This is where Technegas™ comes in…

Comparison of V/Q SPECT and CT Angiography for the Diagnosis of Chronic Thromboembolic Pulmonary Hypertension



Ventilation scan (with Technegas™)	CT imaging	Fusion of Ventilation and CT imaging

With the advent of 3D imaging or SPECT imaging, nuclear medicine provides the most accurate method for diagnosing pulmonary embolism than any other modality.

Technegas™ has been used
in over 4.4 million patient studies globally.

Chairman's Letter

Dear Shareholders,

Cyclopharm delivered another solid financial performance in 2021 while continuing to work with the United States Food and Drug Administration (USFDA) on the final stage of the approval process to sell the company's core Technegas™ products in the US market.

Cyclopharm's ability to deliver a record revenue performance in 2021 despite the ongoing challenges and disruption in our markets from the global COVID-19 pandemic demonstrates the resilience of our business. Alongside supporting the approval process needed to initiate Technegas™ sales in the US, your company made significant progress in developing new revenue streams through third-party distribution agreements and in advancing the 'Beyond PE' growth initiatives.

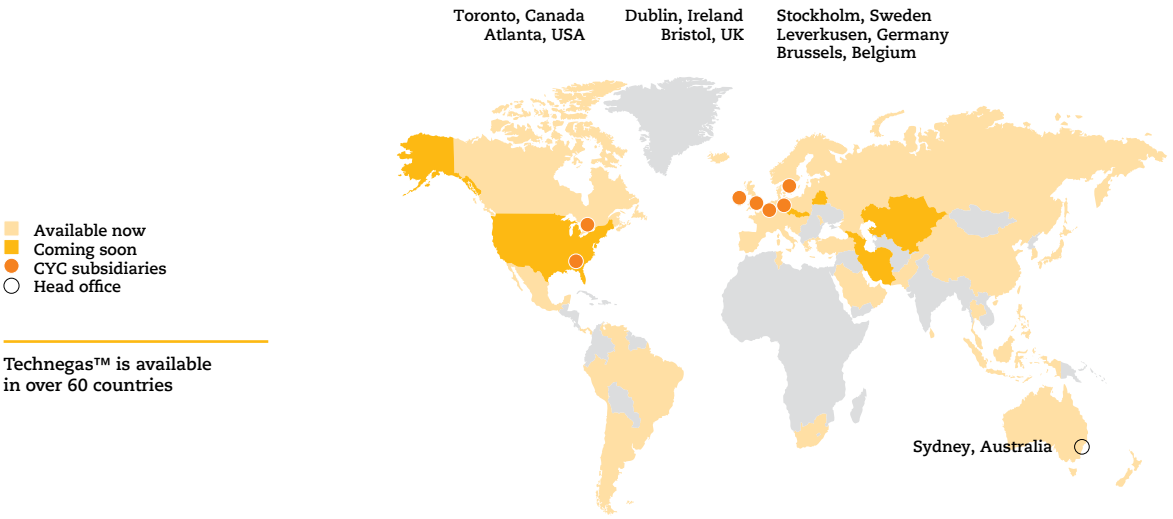
The key focus for Cyclopharm throughout 2021 was supporting the progress of the USFDA approval process for Technegas™. Commencing sales in the US market is a transformational business opportunity that is estimated to be worth US$180 million annually. The approval process is in its final stages following a request from the USFDA for additional information that Cyclopharm is highly confident of supplying in the second half of 2022. The additional information request from the USFDA did not relate to the demonstrated efficacy and safety of Technegas™.

Cyclopharm's confidence of achieving USFDA approval of Technegas™ is also demonstrated by the continuing preparations for US commercialisation of Technegas™. Your company is investing to build the inventory, sales capabilities and infrastructure to support a rapid entry into the US upon USFDA approval, expected within 6 months of satisfying the additional information request.

In 2021, Cyclopharm also continued to leverage its regulatory expertise and operational footprint to secure third-party distribution agreements in Europe and Asia Pacific. These partnerships demonstrate the success of the Company's strategy to pursue additional revenue streams from distributing third parties' products. During the year, the third-party distribution business contributed $4.1 million of revenue to the business, nearly double the 2020 figure. In the current financial year, the Company plans to expand this revenue stream further by entry into new markets, including Australia.

Cyclopharm's 'Beyond PE' initiatives are designed to develop a new pipeline of growth opportunities through the use of Technegas™ in diagnostic applications beyond Pulmonary Embolism (PE). Your Company is funding multiple studies and supporting clinicians working to demonstrate Technegas'™ potential as a diagnostic tool to manage Chronic Obstructive Pulmonary Disease (COPD), asthma and other respiratory diseases states. Cyclopharm estimates COPD alone to be a market 30 times the size of PE.

The 'Beyond PE' initiatives have recently expanded into clinical research investigating the use of Technegas™ for patients suffering from long-COVID. Preliminary results from the 'Beyond PE' initiatives are promising and Cyclopharm is expecting peer reviewed results to start to be published in the first half of 2022.



Cyclopharm ended the financial year with a strong balance sheet and a cash balance of $29.25 million, reflecting the capital raising undertaken during the financial year, and ongoing operational cashflows. The proceeds of the capital raise will be used to fund the ongoing FDA approval process, the anticipated launch of Technegas™ into the US market, R&D activities and working capital to fund continuing organic growth.

We expect 2022 to be another successful and productive year. Our expectations is the commencement of sales of Technegas™ in the US, will significantly improve the underlying profitability of Cyclopharm. In addition, we are also anticipating sales of Technegas™ in our existing markets will rebound to beyond pre-COVID-19 levels, as the world emerges from the pandemic. We also expect our third-party distribution revenues to continue to grow and be an important source of additional earnings for Cyclopharm, particularly as we expand third-party distribution into Australia.

Cyclopharm's balance sheet strength and continuing clinical studies supporting the 'Beyond PE' initiatives mean the Company is well placed to extend its market leadership in lung imaging and drive ongoing growth.

In line with good corporate governance practices, Cyclopharm's Board continues to evaluate its skills and composition to ensure they appropriately support the Company's growth and governance requirements. In anticipation of US market entry and the expansion of Technegas™ beyond the PE market, the Board appointed Ms Dianne Angus, an experienced Executive and Director in the biotechnology sector as an additional Non-Executive Director during 2021.

In December 2021, Independent Director, Mr Tom McDonald, retired from the Board of Cyclopharm due to health reasons. The Board acknowledges and thanks Mr McDonald for his significant and valuable contribution as a director of the Company since joining the Board in 2017. The Company intends to commence a search process for Mr McDonald's replacement on the Board and will advise shareholders of the outcome of this process in due course.

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 2021 year include:

Record Group revenue

- $17.70 million, up 20.6%

Technegas™ sales increased

- Up 7.0% to $13.21 million

Growth in third-party distribution revenue

- Delivers $4.10 million of revenue in FY2021

Net cash position at year-end of $29.25 million

- Following a successful share placement and retail share purchase plan in February 2021 that raised $33.0 million
- Cyclopharm is now fully funded for the next phase of growth

Approved R&D tax incentive

- Resulting in Other Income of $2.29 million received in January 2022

Technegas™ now in the final stages of the USFDA Approval Process

- $1.30 million investment in 2021
- Final USFDA response to be submitted in Q3 2022

Processes in place for rapid commercialisation of Technegas™

- United States sales to commence following receipt of USFDA approval

Solid progress in developing new 'Beyond PE', clinical applications

- Large, long-term growth opportunities for Technegas™

Final dividend

- Maintained at 0.5 cents per share, bringing total unfranked dividends for FY2021 to 1.0 cps

4 millionth PAS

Dear Shareholders,

Cyclopharm delivered another solid financial performance in 2021 and continues to make progress in executing on growth strategies and opportunities.

Cyclopharm has four major strategies for growth:

1

Grow

Grow Technegas™ sales

2

Expand

Expand the use of Technegas™

3

Develop

Identify, develop and commercialise complementary innovative technology

4

Leverage

Leverage core strengths to accelerate our third-party distribution business

Against these objectives, during 2021, Cyclopharm delivered a record revenue performance and entered the final stage of the approval process to commence sales of Technegas™ in the USA market in 2022.

The company focussed its attention on progressing United States Food and Drug Administration (USFDA) approval, while continuing 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.

With new offices in Brussels, Belgium and Bristol, England, the company also continued to leverage our operational infrastructure, regulatory resources and direct marketing capabilities to expand our distribution partnerships which now include Jubilant Draximage, ROTOP, Lucerno and Tema Sinergie.

Financial performance

Cyclopharm generated record total revenues in FY2021 of $17.70 million, up 20.6% on the prior year. Revenue from sales of Technegas™ generators and Patient Administration Set (PAS) consumables have remained robust, slightly exceeding FY2020 revenues, with unit sales of each also exceeding those of FY2020.

Sales in our core proprietary technology Technegas™, used in functional lung imaging primarily for the detection of pulmonary embolism, continued to be impacted by delays to medical procedures in certain markets caused by the ongoing pandemic. In addition, Technegas™ service revenue declined marginally over the period, with generator servicing also being impacted globally by travel and access restrictions associated with COVID-19. Consumables revenue increased modestly, by 5% year on year, from $9.07m to $9.54m.

Earnings from the distribution of third-party products in Europe, a new revenue stream introduced in FY2020, added $4.10 million of additional revenues for FY2021, growth of 89% compared to FY2020. This supplemented our Technegas™ business. Third-party distribution revenue is driven by a mix of radiopharmaceuticals, capital equipment and associated consumables. These products, whilst at lower margins than our proprietary Technegas™ products, are contributing strongly as an ongoing source of complementary profits. In the current financial year, the Company expects to expand this revenue stream in new markets, including Australia.

Cyclopharm recorded a loss after tax of approximately $5.04 million, an improvement of $1.00 million on the prior year's loss of $6.04 million. This performance primarily reflects the ongoing investment required for Cyclopharm to meet global regulatory requirements, which include the heavy investment required for the USFDA approval process. Expenditure on the Technegas™ USFDA regulatory approval process in 2021 was $1.30 million, compared to $3.31 million in the prior year. As a sign of the Board's confidence,a total of $14.69 million has been expensed on the current USFDA approval process project up to 31 December 2021

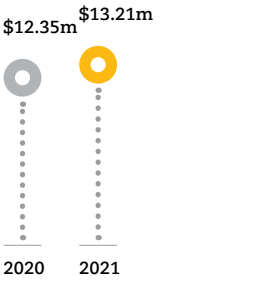
Net loss before tax for the year was $4.35 million compared to net loss before tax of $5.84 million in the prior year. The 2021 result includes $1.09 million in legal costs associated with the current actions to protect the Company's commercial interests in Europe and Australia, and an increase in salaries and wages expense of approximately $1.00 million in order to comply with extensive new regulatory compliance regulations globally and establishment of sales and service operations in Belgium and the United Kingdom.

Cyclopharm ended the financial year with a strong balance sheet and a cash balance of $29.25 million, reflecting the capital raising undertaken during the financial year, and ongoing operational cashflows. This cash balance ensures the company remains well capitalised to fund the ongoing FDA approval process, the anticipated launch of Technegas™ into the US market, R&D activities and working capital to fund continuing organic growth.

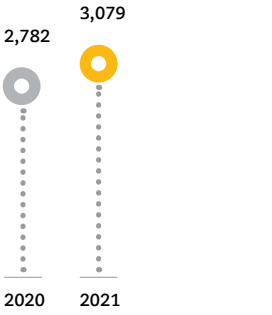
The proceeds of the capital raise are also being selectively invested into new larger growth opportunities for Technegas™ in the 'Beyond PE' respiratory medicine market.

Cyclopharm completed its Research and Development Tax incentive claim for the 2021 financial year and received a cash payment in January 2022 of $2.30 million from the ATO (vs 2020 $3.10 million).

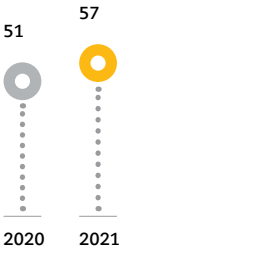
Based on ongoing and planned research and development activities, Cyclopharm also expects to receive an R&D tax incentive in respect of the current financial year. The exact amount of any future R&D tax incentive will be subject to the nature, timing and value of R&D activities undertaken each year, some elements of which are outside of the company's control.



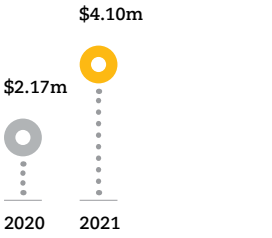
Technegas™ Sales ($m)



Technegas™ PAS Sales (units)



Technegas™ Generator Sales (units)



Third-party Distribution Revenues ($m)

Operations and strategy

During the year to 31 December 2021, we continued to execute the Company's growth strategy of leveraging its significant intellectual property, technology and technical expertise to broaden sales into new countries and expand end-use device applications and complementary businesses.

Cyclopharm successfully delivered a number of significant achievements, including:

- Final Response documentation related to the USFDA application to market and distribute Technegas™ in the United States on track for submission Q3 2022
- Processes in place for rapid roll out of Technegas™ in the US following USFDA approval, including personnel training and inventory build
- Strong support for Technegas™ in the USA continues to be expressed from frontline healthcare workers based on clinical outcomes and the strong safety profile of Technegas™
- Initiation of further pilot clinical trials targeting new applications for Technegas™ in chronic respiratory disease states and post COVID-19 infection
- Technegas™ procedures rebounded following initial impact of the COVID-19 pandemic
- Technegas™ H2 consumable sales recovered to pre-pandemic levels in key markets
- Favourable progress with regard to litigation in Australia and Germany to defend Cyclopharm's intellectual property is expected to continue throughout 2022
- In anticipation of US market entry, the Board appointed Ms Dianne Angus, an experienced Executive and Director in the biotechnology sector as an additional Non-Executive Director during 2021

Expand Technegas™ revenues

Technegas™ sales grew by 7% to $13.21 million, edging closer to pre-pandemic levels of approximately $14 million.

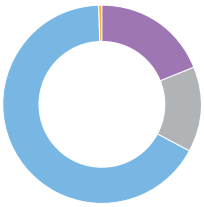
Sales of **Patient Administration Sets** (PAS) represented 72.2% of Technegas™ revenue 3,079 boxes of PAS were sold (equal to 153,950 patient procedures), which is 297 more than the previous year, an increase of 11%. PAS revenue rebounded strongly in the major established markets of France, Germany and Canada, by 25%, 27% and 18% respectively. Declines in sales were recorded in other smaller-user European countries and Asia. All other markets recorded gains in sales, with overall PAS revenue up 5%.

Canada remains the largest country market by volume with 822 PAS boxes sold, closely followed by France with 750 PAS boxes sold in 2021.

A total of 57 **Technegas™ Generators** were sold compared to 51 sold in FY2020.

The Technegas™ division benefited from new **third-party distribution** revenues increasing by $1.93 million to $4.10 million, from products manufactured by Rotop, TEMA and Draximage.

Sales of generators and other service revenue represented 27.8% of Technegas™ total revenue, up slightly from 26.6% in FY2020. Technegas has been recognised as a safer alternative to other nuclear medicine ventilation imaging agents in reducing the spread of COVID-19. The increase was primarily a result of a conversion of customers from competitive products in response to the risk of COVID-19 contamination.



Sales by Region 2021

Asia Pacific $3.27m
Canada $2.44m
Europe $11.51m
Rest of World $0.09m

Regional review

Europe

Europe was the best performing region in 2021 delivering sales of $11.51 million up 10% on 2020.

- The European result benefited from $3.00 million of sales generated through Cyclopharm's third-party distribution agreements.
- The underlying sales of Technegas™ products and services in Europe improved 3% to $8.51 million, with the rebound in sales from France making it the largest European country market for Technegas™ products.
- In total 1,609 PAS sets were sold in Europe, up from 1,399 in 2020 and 37 generators were sold, up from 33 in 2020.
- PAS sales in Germany continued to perform strongly in line with the recovery in imaging services flowing from the initial COVID-19 outbreak. This resulted in PAS sales of 157 in 2021, up from 122 in 2020.

Asia-Pacific

The Asia-Pacific region was robust, with revenues up 45% from $2.26 million in 2020 to $3.27 million in 2021.

- Generator sales across the Asia-Pacific region were stable at 10 units in 2021, comprising 6 Units in Asia (FY2020: 3 units) and 4 units in Australia/NZ (FY2020: 7 units).
- Asia-Pacific PAS sales of 588 in 2021 were down 8% from 642 in 2020.
- The ongoing impact of COVID-19 in reducing the number of diagnostic procedures across the Asia-Pacific region is starting to abate, albeit modestly. The gradual resumption of non-urgent elective medical procedures in these markets is providing the impetus for a modest recovery in 2022.

Canada

Canada reported a strong recovery in sales of $2.44 million in 2021, up 39% compared to sales of $1.76 million in 2020.

- Canada saw generator sales rise by 2 to 9 in 2021 due to continuing market share penetration.
- Canadian PAS sales grew by 18% to 822 reflecting the lessening impact of COVID-19 and a strong market position.

Rest of the World

Revenue in South Africa and Latin America continued to be severely impacted by COVID-19, but showing some green shoots of recovery, rising by 55%, from $62,506 in 2020 to $97,023 in 2021.

- PAS sales in Latin America were up 47% from 30 in 2020 to 44 in 2021.
- There were no generators sold in Latin America during 2021.
- South African PAS sales rose from 15 in 2020 to 16 in 2021, a rise of 7%.
- There was one generator sale in South Africa in 2021, up from zero in 2020.

Sales by region

		2018 $m	2019 $m	2020 $m	2021 $m	Change FY2020 TO 2021
Canada	Technegas™	2.14	2.55	1.76	2.44	39%
Europe	Technegas™	8.35	8.74	8.27	8.51	3%
	Third-party Sales	0	0	2.17	3.00	38%
APAC	Technegas™	2.66	2.35	2.26	2.17	(4%)
	Third-party Sales	0	0	0	1.10	100%
Rest of the World	Technegas™	0.25	0.44	0.06	0.09	50%
Total		**13.40**	**14.08**	**14.52**	**17.31**	**19%**

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

US$180m

annually

USFDA approval process

The most significant business opportunity for Cyclopharm is gaining USFDA approval to sell Technegas™ in the US market. This process is now in its final stages, following a request from the USFDA in June 2021 for additional information arising from a pre-approval inspection. The additional information request does not relate to the demonstrated efficacy and safety of Technegas™.

The Company met with the USFDA in late January 2022 to discuss its progress on the request for additional information and other matters. Based on work undertaken and the significant engagement with the regulator to date, Cyclopahem is highly confident it will submit this information in Q3 2022 and all items and recommendations identified by the USFDA will be addressed and finalised in FY2022.

Cyclopharm is also continuing its preparations for US commercialisation of Technegas™, including personnel training and inventory build, to ensure a rapid commencement of sales once USFDA approval is granted. The USA presents Cyclopharm with a transformational market opportunity that we estimate is worth US$180 million annually. The Company's strategy for Technegas™'s rapid entry into the US is built around the supply of generators to targeted US hospitals to support easy adoption of Technegas™.

Strong clinical support in the USA

The impact of the COVID-19 pandemic in the USA has been a catalyst for expressions of support for Technegas™ and accelerated support for the technology from US medical professionals including:

- June 2020, 77 US based Nuclear Medicine physicians wrote to the USFDA requesting an expedited NDA review for Technegas™
- November 2020, a second letter was sent to the FDA with 90 physicians' signatures imploring both Cyclopharm and the FDA to move quickly towards approval
- November 2020, a group of 102 front-line Nuclear Medicine Technologists asked the USFDA to expedite the approval of Technegas™ stating: "We ask the FDA to finalize the approval of the Technegas™ application with utmost expediency
- January 2021, the 16,000-member Society of Nuclear Medicine and Molecular Imaging (SNMMI) wrote a letter requesting "Fast Track Approval" of Technegas™

This high level of support from US medical professionals reinforces the Board's expectation there will be strong initial sales demand for Technegas™ following USFDA approval.

Cyclopharm is building inventory to rapidly roll out Technegas™ in the USA once USFDA approval has been achieved

US Market entry and sales model

As previously announced, Cyclopharm is undertaking a number of activities to ensure it is well placed to rapidly roll out Technegas™ in the USA once USFDA approval has been achieved. These activities include, building inventory reserves, the Company has grown its inventories from $4.7 million to $5.5 million at year end; pursuing agreements for third-party distribution, service and installation, and administrative support.

It is very important to emphasise that US health insurance reimbursement for Technegas™ will be based on established nuclear medicine procedures that are agnostic to the approved agents being used. Therefore, in the US market Technegas™ will be reimbursable from day-one.

The US nuclear medicine ventilation imaging market for pulmonary embolism alone is estimated to be approximately US$180 million annually. Cyclopharm intends to access this market in two stages

Stage one

- Address the current US market worth US$90 million.
- Based on the Canadian market, Cyclopharm remains confident that Technegas™ can achieve a 50% share of the USA market over the first 2 to 3 years.
- A US market share of 80% should be achievable over a 5 to 7-year period.

Stage two

- Increasing the pulmonary embolism diagnostic market that is imaged through nuclear medicine, from 15% to 30% of procedures.
- The unique properties of Technegas™, which improve imaging outcomes, are expected to drive adoption by the USA nuclear medicine market of the 3-D imaging technique referred to as Single Photon Emission Tomography (SPECT) for PE imaging rather than the current 2-D CT pulmonary angiogram (CTPA) scan or Planar imaging that currently represent 85% of all PE imaging in the USA.

Quality management system

In parallel with the clinical elements of our USFDA New Drug Application, Cyclopharm is implementing an updated Quality Management System to include an Electronic Quality Management System (EQMS) at our manufacturing facility in Sydney. The Company has initiated a comprehensive documentation review of both our medical devices and pharmaceutical products to ensure Cyclopharm meets the compliance requirements of the most recent USFDA guidelines as well as the new International Medical Device Single Audit Program (MDSAP) implemented in 2019 and upcoming compliance with European Medical Device Regulations (MDR) that was effective as of 2021.

MDSAP is a regulatory harmonisation initiative between Australia, Brazil, Japan, Canada and the United States. MDSAP compliance will minimise disruptions due to multiple regulatory audits, provide predictable audit schedules and incorporate the ISO 13485 compliance required for our CE mark in Europe. The Company attained MDSAP certification during 1H 2019.

Renewal of European regulatory approval

Technegas™ achieved renewal of its CE mark under the extensive new European Medical Device Regulations in January 2022.

The MDR replaced the Medical Device Directive (93/42/EEC) and Active Implantable Medical Device Directive (90/385/EEC). The MDR brings with it more scrutiny of technical documentation; it requires a higher level of assessment pertaining to the elements of product safety and performance by placing stricter requirements on clinical evaluation and post-market clinical follow-up; MDR also requires increased traceability of devices through the supply chain.

The renewal follows a significant achievement in light of sweeping European regulatory changes associated with the transition of medical device regulation from the MDD directive to the new MDR regulation. It reflects significant investment to updating Cyclopharm's quality management system to current regulatory standards.

Over 500 million patients suffering with COPD and Asthma could benefit from the use of Technegas™

'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 and other respiratory disease states will create opportunities to exponentially expand the market for Technegas™ beyond its traditional PE market.

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[1] and the updated 2019 European Association of Nuclear Medicine Guidelines[2]. 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 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.

Cyclopharm continues to sponsor a number of clinical trials that investigate new applications for Technegas™. The diagnosis and monitoring of COPD, asthma and other respiratory disease states, are all being considered.

One example of these trials is a study into the use of Technegas™ in patients with severe small airways disease, being conducted at The University of Newcastle, Hunter Regional Medical Institute (HRMI) and John Hunter Hospital.

The 100-patient study included a 39-patient subset who underwent tests using Technegas™ to determine their response to therapy. The study images are currently being analysed with findings expected to be published later this year.

In addition to the Newcastle study, there are five additional clinical initiatives that are sponsored by Cyclopharm to include applications in patients with COPD, lung transplant and implications related to patients who are suffering lasting effects of COVID-19, often referred to as 'Long-COVID'.

The Company's 'Beyond PE' initiatives are linked to significant Research and Development activities, which have been impacted by COVID-19 as the rate of patient recruitment for trials has been challenging. In addition, the Company has received enquiries from several third-parties in the USA interested in conducting additional trials on Technegas™, including for matters associated with patients who had contracted COVID-19. Advancing these initiatives could expand the use of Technegas™ by improving the diagnosis and management of patients with COPD; other small airways diseases and those who are recovering from COVID-19 Related Lung Ventilation and Perfusion Injury.

1. Leblanc et. Al. CANM Guidelines for Ventilation/Perfusion (V/P SPECT) In Pulmonary Embolism. November 2018
2. Bajc et. Al. EANM guideline for ventilation/perfusion single-photon emission computed tomography (SPECT) for diagnosis of pulmonary embolism and beyond. European Journal of Nuclear Medicine and Molecular Imaging. July 2019. https://doi.org/10.1007/s00259-019-04450-0

Ultralute™ extends the useful life of Molybdenum-99 generators by up to 50%

Indicative results from sponsored initiatives, like the following case study and abstract, indicate the clinical utility in these disease states with published results expected in the first half of 2022.

- McDonald – Imaging for precision medicine: can V-P SPECT measure mepolizumab response in asthma? (DOI: https://doi.org/10.1002/rcr2.717)
- Tahir – Investigating the Origin of the Frequency Dependence of Respiratory Resistance to Airflow in Post Lung Transplant Patients as a Marker for Chronic Lung Allograft Dysfunction (https: ajrccm-conference.2021.203.1_MeetingAbstracts. A4612 (atsjournals.org)

With the extensive clinical use of Technegas globally, during any given year publications, independent of the Company, highlight the importance of functional ventilation imaging with Technegas in numerous respiratory conditions. A sampling of the independent 2021 publications referencing Technegas™ include:

- Bajc – Assessment of Ventilation and Perfusion in patients with COVID-19 discloses unique information of pulmonary function to a clinician: case reports of V/P SPECT (https: 10.1177/11795484211030159. eCollection 2021)
- Currie G – A Technical Overview of Technegas as a Lung Ventilation Agent (https://doi.org/10.2967/jnmt.121.262887)
- Blanc-Beguin – 68Ga-Labelled Carbon Nanoparticles for Ventilation PET/ CT Imaging: Physical Properties Study and Comparison with Technegas® (https://doi.org/10.1007/s11307-020-01532-6)
- Bahloul – Signs of tracheobronchitis may constitute the principal finding on the lung SPECT/CT images of COVID-19 patients (https://doi.org/10.1007/s00259-020-05139-5)
- Ma – A Feasibility Study on Using Single-Photon Emission Computed Tomography Pulmonary Perfusion/Ventilation Imaging for the Diagnosis of Chronic Thromboembolic Pulmonary Hypertension and Patient Risk Assessment (https://doi.org/10.2147/IJGM.S335051)
- Rutting – Effect of combination inhaled therapy on ventilation distribution measured by SPECT/CT imaging in uncontrolled asthma (https://doi.org/10.1152/japplphysiol.01068.2020)
- Bajc – Pulmonary Functional Imaging, Basics and Clinical Application of Nuclear Medicine and Hybrid Imaging (https://doi.org/10.1007/978-3-030-43539-4_7)
- Al-Mashat – Pulmonary perfusion and NYHA classification improve after cardiac resynchronization therapy (https://doi.org/10.1007/s12350-021-02848-8)

Whilst achieving USFDA approval remains a major objective for Cyclopharm, the potential in applications 'Beyond PE' represents a significant opportunity for the Company.

Commercialising new technologies – Ultralute™

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

Changes in the European Union (EU) have required regulators to reassess and recertify all existing medical devices against more onerous Medical Device Regulations, and the scale of this task has slowed the introduction of new products into the EU region.

This has delayed the registration of Ultralute™ in Europe, and consequently, revenues from the sale of Ultralute™ did not commence in 2021.

5-year agreement with Jubilant Draximage Inc of Canada to help drive increase in third-party revenues

Other businesses

Cyclopharm's distribution business secures new contracts

In 2021, Cyclopharm has continued to leverage its regulatory expertise and operational footprint to secure third-party distribution agreements in Europe and Asia Pacific. These partnerships demonstrate the success of the Company's strategy to pursue revenue from distributing third-parties' products, following the acquisition of certain of the Company's European distributors.

During the year, the third-party distribution business contributed $4.10 million of revenue to the business. This additional revenue stream has been particularly advantageous during both 2020 and 2021, years in which COVID-19 has impacted our Technegas™ business.

In line with our strategy to build complementary revenue streams, we recently initiated the first sales of a 5-year agreement with Jubilant Draximage Inc of Canada, to distribute its RUBY-FILL® Generators and accessories in 14 European countries. Subject to achieving certain sales targets, Cyclopharm anticipates the contract will contribute up to approximately €500,000 to gross annual profit before tax by FY2023.

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.

Litigation Update

As previously announced, Cyclopharm continues 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").

Litigation expenses were $1.09 million in FY2021 compared to $1.44 million in FY2020. The Company continues to defend its intellectual property in German and Australian courts, and while progress is being made to resolve each matter, legal proceedings are expected to continue throughout 2022.

Corporate Governance

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

Specifically, in anticipation of US market entry and the ongoing work required to expand the use of Technegas™ beyond the PE market, the Board appointed Ms Dianne Angus, an experienced Executive and Director in the biotechnology sector as an additional Non-Executive Director during 2021.

In December 2021, Independent Director, Mr McDonald, retired from the Board of Cyclopharm due to health reasons. The Board acknowledges and thanks Mr McDonald for his significant and valuable contribution as a director of the Company since joining the Board in 2017. The Company intends to commence a search process for Mr McDonald's replacement on the Board and will advise shareholders of the outcome of this process in due course.

Leadership Team

Cyclopharm is at the point where a USFDA approval to market Technegas™ in the US market will create a step change in financial and operational performance and mark a new phase in the growth of the business.

Cyclopharm has, over several years, gathered some of the best talent in the industry to take advantage of this transformational opportunity. The breadth and depth of experience and the integration of complementary skills across the Cyclopharm management team will ensure we can rapidly take advantage of entry into the US market and the opportunities that will flow from our 'Beyond PE' initiatives.

Summary and outlook

Cyclopharm's revenue performance proved to be resilient in 2021. Our ability to deliver record revenues despite the global pandemic validates our decision to take control of our distribution arrangements in Europe. The new revenue streams from third-party distribution agreements will support the Company's financial performance, ability to maintain dividend payments and create value for our shareholders in the years to come. Revenue from Technegas™ Generator and PAS sales in existing markets is expected to continue to rebound to pre-pandemic levels or beyond in 2022.

Securing approval to sell Technegas™ in the US market remains the most significant near term business opportunity for Cyclopharm. The Company met with the USFDA in late January 2022 and remains highly confident the requested information to support the approval process will be submitted in Q3 2022.

Cyclopharm is continuing its preparations for a rapid entry into the US market, including building our inventory and sales capabilities and infrastructure. USFDA approval is expected to be secured within 6 months of submission of the requested additional information.

Cyclopharm is also progressing the Company's 'Beyond PE' strategy with multiple studies underway to demonstrate Technegas'™ potential as diagnostic tools that can be deployed in the treatment of conditions beyond Pulmonary Embolism, in particular Chronic Obstructive Pulmonary Disease (COPD). Cyclopharm's view is our 'Beyond PE' initiatives have the potential to significantly expand Technegas'™ revenue and profitability over the medium to longer term in indications valued at US $900 million per annum. In 2021, we invested $0.21 million in progress payments in 'Beyond PE' trials, which follows on from $0.17 million in 2020.

The company's balance sheet is strong, reflecting ongoing operations performance and the completion of a highly successful institutional placement and retail share purchase plan (SPP) in early 2021, that raised $33.0 million. The company will use this new capital to support the rapid USA commercialisation of Technegas™ and to selectively support the 'Beyond PE' strategy.

The combination of the Company's resilient financial performance and strong capital position have supported the Board's decision to maintain a consistent dividend policy. In this regard, the final dividend was maintained at 0.5 cents per share (CPS), giving a total dividend for 2021 to 1.0 cps.

We expect 2022 to be another successful and productive year that will include the completion of the final step to support the USFDA approval process. Cyclopharm has a strong balance sheet and broad scope of supportive clinical studies underway that mean the Company is well placed to extend its market leadership in lung imaging and drive ongoing growth.

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 2021.

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 senior 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.

Mr T A McDonald

Non Executive Director (Independent) (ceased on 1 December 2021)

B.Com, FCPA

Mr McDonald was appointed to the Board on 3 April 2017 and has been appointed Chairman of the Audit and Risk Committee effective 1 March 2019 until his cessation as a Board member on 1 December 2021. He holds a Bachelor of Commerce from UNSW and is a Post Graduate of University of Technology Sydney in Business Finance. He is a Fellow of CPA Australia, a member of the Australian Institute of Company Directors, an Associate with the Governance Institute Australia and Associate of Chartered Governance Institute (UK).

Mr McDonald has more than 30 years experience in the pharmaceutical and technology industries and has held global senior executive roles with international biotech Beckman Instruments Inc, with roles based in USA and Asia Pacific.

Mr McDonald currently does not hold any other listed directorships but has previously served as a non-executive director of ASX-listed FE Investments Group Limited (finance) and ASX-listed Wolfstrike Group Limited (technology). He has also previously held senior positions with ASX-listed Allomak Limited, CK Life Sciences Int'l Inc., ASX-listed LIPA Pharmaceuticals Limited and ASX-listed Keycorp Limited.

Ms D M Angus

Non Executive Director (Independent) (appointed on 10 August 2021)

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 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:

		As at report date	
	Interest	No. of shares	No. of options
Directors			
Mr D J Heaney	BI	254,500	–
Mr J S McBrayer	BI	5,109,580	200,000
Ms T A McDonald	BI	–	–
		5,364,080	**200,000**

BI: Beneficial interest

Dividends

On 23 February 2022, the Directors declared a final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2021, to be paid on 12 April 2022 to those shareholders registered on 5 April 2022. An interim unfranked dividend of 0.5 cents per share was paid on 13 September 2021.

A final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2020 was paid on 13 April 2021.

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 $5,040,166. Loss after tax from the operations of the Technegas™ division was $4,888,814.

Technegas™ divisional revenue of $17,312,091 was 19.2% higher than the previous year (2020: $14,523,071) with $4,098,985 (2020: $2,173,227) from distributing third-party products to the diagnostic imaging sector.

Technegas™ division Loss Before Tax of $4,651,577 (2020: $5,983,277) recorded an unfavourable variance of $1,331,700 impacted by higher employee benefits expense of $8,848,778 (2020: $7,852,257) associated with ongoing investment in human capital to meet global regulatory requirements which includes compliance to USFDA guidelines. USFDA clinical trial costs totalling $1,303,372 (2020: $3,311,715) also contributed to the Technegas™ division Loss Before Tax.

Income from the business venture collaboration contributed $392,483 to total revenue, up from $153,086 in 2020.

Financial position

Net assets increased to $43,067,734 at 31 December 2021 (2020: $17,115,850) assisted by gross proceeds of $33,000,003 in connection with an institutional share placement and share purchase plan offset by the net loss after tax of $5,040,166.

Net cash balance was $29,249,255 at 31 December 2021.

Further details of Cyclopharm's Operating and Financial Review are set out on pages 6 to 17 of the Managing Director's Review.

Significant changes in state of affairs

Shares issued and cancelled during the year

(i) On 1 February 2021, 11,538,462 ordinary shares were issued at a price of $2.60 per new share in connection with an institutional share placement,

(ii) On 19 February 2021, 1,153,847 ordinary shares were issued at a price of $2.60 per new share in connection with a share purchase plan to eligible shareholders and

(iii) 408,059 LTIP shares were issued at an exercise price of $3.20 per share.

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.

Incorporation of Cyclomedica New Zealand Limited

On 19 July 2021, Cyclomedica New Zealand Limited was incorporated in New Zealand as a wholly owned subsidiary of Cyclomedica Australia Pty Ltd.

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 23 February 2022, the Directors declared a final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2021, payable on 12 April 2022.

Other than the above, no 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 Group, financial position or the state of affairs of the Group 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. This process is now in its final stages, following a request from the USFDA in June 2021 for additional information arising from a pre-approval inspection. The additional information request does not relate to the demonstrated efficacy and safety of Technegas™. Cyclopharm is highly confident the items and recommendations identified by the USFDA will be addressed and finalised in 2022.

The Company met with the USFDA in late January 2022 to discuss its progress on the request for additional information and other matters. Based on work undertaken and the significant engagement with the regulator to date, the Company is confident it will submit this information in Q3 2022.

The Company is also continuing its preparations for commercialisation of Technegas™, in the USA including personnel training and inventory build, to ensure a rapid commencement of sales once USFDA approval is granted. The USA presents Cyclopharm with a transformational market opportunity estimated at US$180 million annually.

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 in the European Union (EU) have required regulators to reassess and recertify all existing medical devices against more onerous Medical Device Regulations, and the scale of this task has slowed the introduction of new products into the EU region. Consequently, the Company does not anticipate Ultralute™ receiving registration in Europe in 2022 but remains confident of its ultimate revenue potential. Further details are set out on page 14 of the Managing Director's Review.

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 TechnegasPlus 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 2021, the company has had regulatory inspections/audits of the Kingsgrove manufacturing premises and the company's QMS conducted by the US Food and Drug Administration, the British Standards Institute (an internationally renowned European Notified Body), and other international regulatory bodies including TÜV SÜD and TÜV Rheinland. The company successfully obtained CE certification under the new European Medical Device Regulations (2017/745/EU).

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 adverse patient events since the commencement of sales.

COVID-19

In many markets around the world during 2021, imaging procedures continued to be impacted by subsequent waves of COVID-19. The Directors believe that any delays in the use of Technegas™ in noncritical procedures are short term and are expected to rebound once restrictions are fully lifted.

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 materialise, 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 2021 is $32,132 (for the year ended 31 December 2020: $31,397).

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 33.

Fees of $40,222 (2020: $38,170) have been paid for share registry services and fees of $18,982 (2020: $30,771) for taxation services to an associate of Nexia Sydney Audit Pty Ltd for the year ended 31 December 2021 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 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 2021

Consolidated	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 %
2021								
Directors								
David Heaney Non-Executive Director	69,517	–	–	3,476	–	–	72,993	0%
Tom McDonald* Non-Executive Director	50,069	–	–	–	–	–	20,069	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.

Director and Executive Remuneration Table 2020

Consolidated	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 %
2020								
Directors								
David Heaney Non-Executive Director	75,559	–	–	–	–	–	75,559	0%
Tom McDonald Non-Executive Director	53,971	–	–	–	–	–	53,971	0%
Executive Director								
James McBrayer*** Managing Director	406,251	50,000	–	41,835	37,840	650,662	1,186,588	59%
Total Directors' Compensation	**535,781**	**50,000**	**–**	**41,835**	**37,840**	**650,662**	**1,316,118**	**53%**
Key Management Personnel								
Mathew Farag Chief Operating Officer	292,600	–	–	27,797	4,883	63,822	389,102	16%
Total Key Management Personnel's Compensation	**292,600**	**–**	**–**	**27,797**	**4,883**	**63,822**	**389,102**	**16%**
Total Compensation	**828,381**	**50,000**	**–**	**69,632**	**42,723**	**714,484**	**1,705,220**	**45%**

*** 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 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 & 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 & 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**		

Details of Managing Director and Key Management Personnel's Share-based payments 2020

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	$0.153	$1.550	$387,500	3 years	1/7/2021	Approval of Technegas' use and distribution in the United States by the United States Food and Drug Administration (USFDA)
Mathew Farag	250,000	$0.153	$1.550	$387,500	3 years	1/7/2021	Continuous employment with the Cyclopharm Group until 31 March 2021
Other non-Key Management Personnel	200,000	$0.318	$1.500	$300,000	2 years	29/5/2021	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 USFDA 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 until Group 30 April 2023
James McBrayer	500,000	$0.315	$1.830	$915,000	1.85 years	31/5/2022	Continuous employment with the Cyclopharm Limited as Managing Director for 2 years until the Annual General Meeting held in 2022
	2,445,000			**$3,264,900**			

Details of Managing Director and Key Management Personnel's Share-based payments 2020 (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	$0.196	$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 2020 No. of shares	Granted under long term incentive schemes No. of shares	Sunscribed pursant to share purchase plan No. of shares	On market purchases No. of shares	Cessation as director No. of shares	31 December 2021 No. of shares
Directors			–				
Mr D J Heaney	BI	232,000	–	9,270	3,230	–	244,500
Mr J S McBrayer	BI	5,109,580	–	–	–	–	5,109,580
Mr T A McDonald	NBI	43,214	–	2,363	12,015	(57,592)	–
Ms D M Angus	BI	–	–	–	–	–	–
		5,384,794	–	11,633	15,245	(57,592)	5,354,080
Key Management Personnel							
Mr M Farag	BI	1,245,000	15,002	–	12,000	–	1,272,000

BI: Beneficial interest
NBI: Non beneficial interests

As at 31 December 2021, Mr McBrayer holds 200,000 share options (2020: 200,000).

Remuneration Committee

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

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 3 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 2021 and 2020 is disclosed in the tables on page 25. 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	12	12	3	3	2	2	3	3
Mr J S McBrayer	12	12	–	–	2	2	–	–
Mr T A McDonald	12	7	3	1	2	1	2	1
Ms D M Angus	5	5	2	2	–	–	2	2

H: Held and eligible to attend, A: Attended

Share Options

200,000 share options (2020: 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 2022

Auditor's Independence Declaration

Nexia Australia

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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 2021, 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

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Date: 31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	Consolidated 2021 $	Consolidated 2020 $
Continuing Operations			
Sales revenue	5	17,704,574	14,676,157
Finance revenue	5	3,950	4,410
Other revenue	5	2,432,578	3,004,893
Total revenue		**20,141,102**	**17,685,460**
Cost of materials and manufacturing	5a	(5,042,295)	(3,963,469)
Employee benefits expense	5e	(8,848,778)	(7,852,257)
Advertising and promotion expense		(298,143)	(212,876)
Depreciation and amortisation expense	5c	(758,731)	(910,291)
Freight and duty expense		(724,029)	(632,846)
Research and development expense	5d	(1,660,167)	(3,537,517)
Administration expense	5f	(6,806,880)	(5,649,611)
Other expense	5g	(259,636)	(562,843)
Loss before tax and finance costs		**(4,257,557)**	**(5,636,250)**
Finance costs	5b	(89,314)	(207,859)
Loss before income tax		**(4,346,871)**	**(5,844,109)**
Income tax	6	(693,295)	(199,527)
Loss for the year		**(5,040,166)**	**(6,043,636)**
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)		(225,440)	(143,856
Total comprehensive loss for the year		**(5,265,606)**	**(6,187,492)**

	Notes	2021 cents	2020 cents
Loss per share (cents per share)	7		
– basic loss per share from continuing operations		(5.62)	(7.89)
– basic loss per share		(5.62)	(7.89)
– diluted loss per share		(5.62)	(7.89)

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 2021

	Notes	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current Assets			
Cash and cash equivalents	8	29,249,255	1,874,285
Trade and other receivables	9	8,040,708	8,837,397
Inventories	10	5,511,375	4,736,017
Current tax asset	6	58,761	233,904
Other assets		392,284	297,366
Total Current Assets		**43,252,383**	**15,978,969**
Non-current Assets			
Property, plant and equipment	11	2,416,648	1,903,129
Right-of-use assets	12	3,829,204	3,911,432
Investments	13	–	–
Intangible assets	14	5,422,263	5,291,899
Deferred tax assets	6	820,406	1,189,696
Total Non-current Assets		**12,488,521**	**12,296,156**
Total Assets		**55,740,904**	**28,275,125**
Liabilities			
Current Liabilities			
Trade and other payables	15	5,907,628	4,400,270
Lease liabilities	16	178,265	148,567
Provisions	17	1,234,259	1,021,395
Tax liabilities	6	98,132	114,053
Total Current Liabilities		**7,418,284**	**5,684,285**
Non-current Liabilities			
Lease liabilities	16	4,331,502	4,557,905
Provisions	17	25,929	23,885
Deferred tax liabilities	6	–	–
Deferred income liabilities	18	897,455	893,200
Total Non-current Liabilities		**5,254,886**	**5,474,990**
Total Liabilities		**12,673,170**	**11,159,275**
Net Assets		**43,067,734**	**17,115,850**
Equity			
Contributed equity	19	62,974,440	31,632,219
Employee equity benefits reserve	28	2,593,561	1,836,973
Foreign currency translation reserve	28	(921,540)	(696,100)
Accumulated losses		(21,578,727)	(15,657,242)
Total Equity		**43,067,734**	**17,115,850**

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 2021

	Notes	Consolidated 2021 $	Consolidated 2020 $
Operating activities			
Receipts from customers		21,244,553	14,659,216
Receipt from business venture collaboration		392,483	153,086
Payments to suppliers and employees		(25,910,356)	(23,296,949)
Interest received		3,950	4,410
Borrowing costs paid		(89,314)	(207,859)
Income tax received/(paid)		2,729,274	(246,772)
Net cash flows used in operating activities	**8**	**(1,629,410)**	**(8,934,868)**
Investing activities			
Payment of deferred consideration on acquisition of subsidiary		–	(343,209)
Purchase of property, plant and equipment		(842,845)	(193,796)
Payments for intangible assets		(318,179)	(337,186)
Net cash flows used in investing activities		**(1,161,024)**	**(874,191)**
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		–	56,216
Dividends paid		(881,319)	(752,419)
Payment for lease liabilities		(288,707)	(289,758)
Net cash flows from/(used in) financing activities		**30,172,195**	**(985,961)**
Net increase/(decrease) in cash and cash equivalents		**27,381,761**	**(10,795,020)**
Cash and cash equivalents			
– at beginning of the period		**1,874,285**	**12,660,323**
– net foreign exchange differences from translation of cash and cash equivalents		(6,791)	8,982
– at end of the year	**8**	**29,249,255**	**1,874,285**

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 2021

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 2020	**36,909,161**	**(5,333,158)**	**31,576,003**	**(8,861,187)**	**(552,244)**	**1,041,373**	**23,203,945**
Loss for the year	–	–	–	(6,043,636)	–	–	(6,043,636)
Other comprehensive loss	–	–	–	–	(143,856)	–	(143,856)
Total comprehensive loss for the year	**–**	**–**	**–**	**(6,043,636)**	**(143,856)**	**–**	**(6,187,492)**
Payment of loan for Long Term Incentive Plan shares	56,216	–	56,216	–	–	–	56,216
Dividends paid	–	–	–	(752,419)	–	–	(752,419)
Cost of share based payments	–	–	–	–	–	795,600	795,600
Total transactions with owners and other transfers	**56,216**	**–**	**56,216**	**(752,419)**	**–**	**795,600**	**99,397**
Balance at 31 December 2020	**36,965,377**	**(5,333,158)**	**31,632,219**	**(15,657,242)**	**(696,100)**	**1,836,973**	**17,115,850**

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**

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

1. Corporate information

The financial report of Cyclopharm Limited ("Cyclopharm" or "the Company") for the year ended 31 December 2021 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 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 2021. 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 2021. 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.

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.

2. Summary of significant accounting policies (continued)

(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.

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

2. Summary of significant accounting policies (continued)

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.

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.

2. Summary of significant accounting policies (continued)

(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.

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

2. Summary of significant accounting policies (continued)

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.

(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.

2. Summary of significant accounting policies (continued)

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.

(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.

2. Summary of significant accounting policies (continued)

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 recognised 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 recognised 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.

(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.

2. Summary of significant accounting policies (continued)

(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*.

(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.

2. Summary of significant accounting policies (continued)

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.

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.

2. Summary of significant accounting policies (continued)

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:

	For the year ended 31 December 2021		
Segments	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**

	For the year ended 31 December 2020		
Segments	Technegas $	Molecular Imaging $	Total $
Type of goods or service			
Sales of equipment and consumables – Technegas	11,075,305	–	11,075,305
Sales of equipment and consumables – third-party products	2,014,557	–	2,014,557
Income from business venture collaboration	–	153,086	153,086
After sales services – Technegas	1,274,539	–	1,274,539
After sales services – third-party products	158,670	–	158,670
Total revenue from contracts with customers	**14,523,071**	**153,086**	**14,676,157**
Geographical markets			
Asia Pacific	2,235,541	153,086	2,388,627
Europe	10,135,320	–	10,135,320
Canada	2,051,757	–	2,051,757
Other	100,453	–	100,453
Total revenue from contracts with customers	**14,523,071**	**153,086**	**14,676,157**
Timing of revenue recognition			
Goods transferred at a point in time	14,333,375	153,086	14,486,461
Services transferred over time	189,696	–	189,696
Total revenue from contracts with customers	**14,523,071**	**153,086**	**14,676,157**

There are no impairment losses on receivables.

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 third-party 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 2021 and 31 December 2020.

Geographical segments

The tables under the heading geographical segment present revenue and asset information regarding geographical segments for the years ended 31 December 2021 and 31 December 2020.

Business Segments

	Consolidated		
For the year ended 31 December 2021	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)

4. Segment reporting (continued)

Business Segments

	Consolidated		
For the year ended 31 December 2020	Technegas $	Molecular Imaging $	Total $
Revenue			
Sales – Technegas	12,349,844	–	12,349,844
Income from business venture collaboration	–	153,086	153,086
Sales – third-party products	2,173,227	–	2,173,227
Sales to external customers	14,523,071	153,086	14,676,157
Finance revenue	3,407	1,003	4,410
Other revenue	3,004,893	–	3,004,893
Total revenue	**17,531,371**	**154,089**	**17,685,460**
Result			
(Loss)/profit before tax and finance costs	**(5,777,936)**	**141,686**	**(5,636,250)**
Finance costs	(205,341)	(2,518)	(207,859)
(Loss)/profit before income tax	**(5,983,277)**	**139,168**	**(5,844,109)**
Income tax	(70,490)	(129,037)	(199,527)
(Loss)/profit after income tax	**(6,053,767)**	**10,131**	**(6,043,636)**
Assets and liabilities			
Segment assets	27,103,927	1,171,198	28,275,125
Segment asset increases for the period :			
– capital expenditure	316,214	–	316,214
Segment liabilities	(11,122,986)	(36,289)	(11,159,275)
Other segment information			
Depreciation and amortisation	(910,291)	–	(910,291)

Geographical Segments

	Consolidated				
For the year ended 31 December 2021	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

	Consolidated				
For the year ended 31 December 2020	Asia Pacific $	Europe $	Canada $	Other $	Total $
Revenue					
Sales to external customers	2,388,627	10,135,320	2,051,757	100,453	14,676,157
Finance revenue	4,055	355	–	–	4,410
Other revenue	3,004,893	–	–	–	3,004,893
Total segment revenue	**5,397,575**	**10,135,675**	**2,051,757**	**100,453**	**17,685,460**
Assets					
Segment assets	18,704,437	8,442,980	1,127,708	–	28,275,125

5. Revenues and expenses

	Notes	Consolidated 2021 $	Consolidated 2020 $
Revenue			
Sales revenue		17,312,091	14,523,071
Income from business venture collaboration		392,483	153,086
Total revenue		**17,704,574**	**14,676,157**
Finance revenue – Interest received from other parties		**3,950**	**4,410**
Other Revenue			
Insurance recoveries		141,195	–
R&D Tax incentive refund		2,291,383	3,004,893
Total other revenue		**2,432,578**	**3,004,893**
(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		**5,042,295**	**3,963,469**
(b) Finance costs			
Interest paid on loans from external parties		16,515	18,215
Interest on leased assets (AASB 16)		72,799	189,644
Total finance costs		**89,314**	**207,859**
(c) Depreciation and amortisation			
Depreciation of plant and equipment		161,276	143,522
Depreciation of leasehold improvements		168,050	340,417
Depreciation of leased assets (AASB 16)		288,707	289,758
Amortisation of intangibles		140,698	136,594
		758,731	**910,291**
(d) Research & development expense			
FDA expenses		1,303,372	3,311,715
Pilot Clinical Trial expenses		214,893	173,851
Research expenses		141,902	51,951
		1,660,167	**3,537,517**
(e) Employee benefits expense			
Salaries and wages		7,395,884	6,397,977
Defined contribution superannuation expense		548,200	529,150
Non-Executive Director fees		148,106	129,530
Share-based payments expense	26a	756,588	795,600
		8,848,778	**7,852,257**
(f) Administration expense			
Legal and professional costs		4,868,162	3,567,193
Office and facility costs		1,453,745	1,617,731
Reversal of doubtful debts		(5,427)	(5,601)
Travel and motor vehicle costs		490,400	470,288
		6,806,880	**5,649,611**
(g) Other expense			
Realised Foreign exchange (gains)/losses		(26,377)	43,786
Unrealised Foreign exchange (gains)/losses		(232,134)	609,085
Recoveries from litigation		–	(2,969)
Jobkeeper grant		–	(491,500)
Other		518,147	404,441
		259,636	**562,843**

6. Income tax

	2021 $	2020 $
The components of income tax expense comprise:		
Current income tax expense	(324,005)	(173,128)
Deferred tax expense	(369,290)	(26,399)
	(693,295)	**(199,527)**

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	**(4,346,871)**	**(5,844,109)**
Statutory income tax rate of 26% (2020: 27.5%)	1,674,705	1,215,570
Effects of lower rates on overseas income	232,616	168,208
Expenditure not allowable for income tax purposes	(1,221,402)	(1,627,043)
Non-assessable income	595,760	826,346
Temporary differences recognised (reversed) in Australian group	(369,290)	(26,399)
Tax losses not recognised in Australia	(1,605,684)	(756,209)
Total income tax expense	**(693,295)**	**(199,527)**
Effective income tax rate	15.9%	3.4%
Current income tax asset	**58,761**	**233,904**
Current income tax liability	**98,132**	**114,053**
Deferred tax relating to capital raising costs, credited directly to equity	**–**	**–**
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	(1,228,684)	(667,429)
Provisions and accruals	1,460,084	1,517,795
Other	589,006	339,330
Total deferred tax assets	**820,406**	**1,189,696**
Movements in deferred tax assets		
Opening balance	1,189,696	1,493,663
Temporary differences brought to account (reversed)	(369,290)	(303,967)
Closing balance	**820,406**	**1,189,696**
Deferred tax assets for which no benefit has been recognised:		
– arising from temporary differences – at 25% (2020:26%)	582,288	636,836
– arising from revenue tax losses – at 25% (2020:26%)	2,581,039	1,078,595
– arising from capital tax losses – at 25% (2020:26%)	19,715	20,503

7. Net tangible assets and loss per share

Net Tangible Assets per share

	Consolidated	
	2021 $	2020 $
Net assets per share	0.46	0.21
Net tangible assets per share	0.40	0.15

	Number	Number
Number of ordinary shares for net assets per share	93,374,823	80,274,455

	2021 $	2020 $
Net assets	43,067,734	17,115,850
Less: Intangible assets	(5,422,263)	(5,291,899)
Net tangible assets	37,645,471	11,823,951

The number of ordinary shares includes the effects of 408,059 Long Term Incentive Performance ('LTIP') shares issued on 19 February 2021 (2020: 1,045,000 Long Term Incentive Performance ('LTIP') shares issued on 4 May 2020 and 757,750 LTIP shares issued on 24 July 2020) and excludes 24,443 expired LTIP shares cancelled on 5 May 2020 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	
	2021 cents	2020 cents
Basic loss per share for continuing operations	(5.62)	(7.89)
Basic loss per share	(5.62)	(7.89)
Diluted loss per share	(5.62)	(7.89)

	Number	Number
Weighted average number of ordinary shares for basic loss per share	89,690,122	76,590,677
Weighted average number of ordinary shares for diluted loss per share	89,690,122	76,590,677

	2021 $	2020 $
Loss used to calculate basic earnings per share	(5,040,166)	(6,043,636)
Loss used to calculate diluted earnings per share	(5,040,166)	(6,043,636)

The weighted average number of ordinary shares for basic loss per share excludes the effects of 408,059 LTIP shares issued on 19 February 2021, 1,045,000 LTIP shares issued on 4 May 2020, 500,000 LTIP shares issued on 24 July 2020, 200,000 LTIP shares issued on 30 May 2019 and 500,000 LTIP shares issued on 2 July 2018 set out in Note 19 as they are contingently returnable.

8. Cash and cash equivalents

	Consolidated	
	2021 $	2020 $
Cash at bank and in hand	29,249,255	1,874,285
Total cash and cash equivalents	**29,249,255**	**1,874,285**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash equivalents is $29,249,255 (2020: $1,874,285).

	Consolidated	
	2021 $	2020 $
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	29,249,255	1,874,285
	29,249,255	**1,874,285**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss after tax	**(5,040,166)**	**(6,043,636)**
Adjustments for non-cash income and expense items:		
Depreciation	618,033	773,697
Amortisation	140,698	136,594
Movement provision for employee benefits	214,908	370,003
Movement in foreign exchange	(218,649)	(152,838)
Movement in employee benefits reserve	756,588	795,600
Movement in other provisions	(5,427)	(5,601)
	(3,534,015)	**(4,126,181)**
Increase/decrease in assets and liabilities:		
Decrease/(Increase) in receivables	685,026	(1,783,104)
Increase in inventories	(775,358)	(2,240,574)
Decrease/(Increase) in other receivables	16,745	(3,122,390)
Decrease/(Increase) in current tax asset	175,143	(8,319)
Decrease in deferred tax assets	369,290	303,967
Increase in creditors	1,445,425	2,128,848
(Decrease)/Increase in current tax liabilities	(15,921)	91,121
Decrease in deferred tax liabilities	–	(277,568)
Increase in deferred income liability	4,255	99,332
Net cash flow used in operating activities	**(1,629,410)**	**(8,934,868)**

(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 2020, 225,000 LTIP shares vested and an election was made to extend the exercise period for up to 5 years, whilst 24,443 LTIP shares lapsed and were cancelled. Refer to Note 19 Contributed Equity and Note 25 Share Based Payment Plans.

The following LTIP shares were issued by way of loans:

– 408,059 LTIP shares issued on 19 February 2021 (2020: 1,045,000 LTIP shares issued on 4 May 2020 and 757,750 LTIP shares issued on 24 July 2020).

9. Trade and other receivables

	Notes	Consolidated 2021 $	Consolidated 2020 $
Current			
Trade receivables, third-parties		4,774,505	5,453,528
Allowance for expected credit loss		(110,415)	(104,412)
Net Trade receivables, third-parties	(i)	4,664,090	5,349,116
Other receivables	(ii), (iii)	3,376,618	3,488,281
Total Current trade and other receivables		**8,040,708**	**8,837,397**
Total trade and other receivables		**8,040,708**	**8,837,397**

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) Other receivables include accrued R&D Tax Incentive of $2,295,638 (2020: $3,104,225) which was received in January 2022 (2020: February 2021).

(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 2021 $	Consolidated 2020 $
Opening balance	104,412	107,259
Additional provisions recognised	6,003	–
Unused amounts reversed	–	(2,847)
Closing balance	**110,415**	**104,412**

10. Inventories

	Consolidated 2021 $	Consolidated 2020 $
Current		
Raw materials at cost	3,870,499	2,938,687
Finished goods at lower of cost or net realisable value	1,692,090	1,840,807
Provision for obsolescence	(51,214)	(43,477)
Total inventory	**5,511,375**	**4,736,017**

11. Property, plant and equipment

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 2020 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**

Year ended 31 December 2020

Consolidated	Leasehold Land and Buildings $	Leasehold Improvements $	Plant and Equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2020 at written down value	299,655	1,288,500	411,038	–	71,661	2,070,854
Additions/Transfers	724	53,133	242,297	–	20,060	316,214
Depreciation for the year	(10,513)	(340,417)	(133,009)	–	–	(483,939)
31 December 2020 at written down value	**289,866**	**1,001,216**	**520,326**	**–**	**91,721**	**1,903,129**
1 January 2020						
Cost value	2,393,609	4,818,811	8,430,524	120,901	71,661	15,835,506
Impairment – Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	–	–	(8,860,163)
Accumulated depreciation	(211,994)	(921,399)	(3,650,195)	(120,901)	–	(4,904,489)
Net carrying amount	**299,655**	**1,288,500**	**411,038**	**–**	**71,661**	**2,070,854**
31 December 2020						
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**

* 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 2021 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 2021.

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 2021 $	Level 2 2020 $
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 2021 $	Consolidated 2020 $
Land and buildings – right-of-use	5,195,492	5,196,359
Less: Accumulated depreciation	(1,538,421)	(1,309,943)
	3,657,071	**3,886,416**
Motor vehicle – right-of-use	287,747	151,046
Less: Accumulated depreciation	(115,614)	(126,030)
	172,133	**25,016**
Total right-of-use assets	**3,829,204**	**3,911,432**

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 2021 $	Consolidated 2020 $
Associated companies	(a)	–	–

Name	Principal Activities	Principal place of business	Measurement Method	Ownership Interest 2021	Ownership Interest 2020
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 2021 $	Consolidated 2020 $
Current Assets		4,058,487	4,130,592
Current Liabilities		(17,495,145)	(17,533,962)
Net Liabilities		(13,436,658)	(13,403,370)
Share of associate's Net Liabilities	(a)	(2,687,332)	(2,680,674)

Extract from the associate's statement of comprehensive income:	Notes	Consolidated 2021 $	Consolidated 2020 $
Revenue		–	131,905
Net Loss	(a)	(33,289)	(804,347)

(a) The share of the associate's loss not recognised during the year was $6,657 (2020: loss of $160,869) and the cumulative share of the associate's loss not recognised as at 31 December 2021 was $2,732,718 (31 December 2020: $2,726,061).

The share of loss of associate not recognised as at 31 December 2021 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 (2020: $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 2021 amounts to $3,366,657 (2020: $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 (2020: $nil).

14. Intangible assets

Consolidated	Intellectual Property $	Goodwill on consolidation* $	Licences $	Technegas Development $	Target $	Ultralute $	Total $
Balance at 1 January 2021	413,244	865,273	577,883	788,588	27,419	2,619,492	5,291,899
Additions	93,581	–	–	–	–	177,481	271,062
Amortisation	(55,482)	–	(85,216)	–	–	–	(140,698)
Balance at 31 December 2021	**451,343**	**865,273**	**492,667**	**788,588**	**27,419**	**2,796,973**	**5,422,263**
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**
31 December 2020							
Non-Current	413,244	865,273	577,883	788,588	27,419	2,619,492	5,291,899
Total	**413,244**	**865,273**	**577,883**	**788,588**	**27,419**	**2,619,492**	**5,291,899**

* Goodwill on consolidation arising upon the acquisition of Inter Commerce Medical bvba on 1 October 2017 and Medicall Analys 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 5.92% to 25% (2020: between 12% 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 4% revenue growth rate for existing markets (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. 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 6%.

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 2021 $	Consolidated 2020 $
Current			
Trade payables, third-parties	(i)	2,174,047	3,296,913
Other payables and accruals	(ii)	1,521,898	1,103,357
Deposits from customers		2,211,683	–
Total current trade and other payables		**5,907,628**	**4,400,270**
Total trade and other payables		**5,907,628**	**4,400,270**

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 2021 $	Consolidated 2020 $
Current		
Lease liabilities	178,265	148,567
Lease liabilities (current)	**178,265**	**148,567**
Non-current		
Lease liabilities	4,331,502	4,557,905
Lease liabilities (non-current)	**4,331,502**	**4,557,905**
Total lease liabilities	**4,509,767**	**4,706,472**

17. Provisions

		Consolidated	
		Employee Entitlements $	Total $
Balance at 1 January 2021		1,045,280	1,045,280
Arising during the year		432,589	432,589
Utilised		(217,681)	(217,681)
Balance at 31 December 2021		**1,260,188**	**1,260,188**
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		
31 December 2020			
Current		1,021,395	1,021,395
Non-Current		23,885	23,885
Total		**1,045,280**	**1,045,280**
Number of employees			
Number of employees at year end	48		

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

	2021 $	2020 $
Deferred income liabilities	**897,455**	**893,200**

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 2021 Number	Consolidated 2020 Number	Consolidated 2021 $	Consolidated 2020 $
Issued and paid up capital					
Ordinary shares	(a)	93,374,823	80,274,455	68,307,598	36,965,377
Other contributed equity	(b)	–	–	(5,333,158)	(5,333,158)
Total issued and paid up capital		**93,374,823**	**80,274,455**	**62,974,440**	**31,632,219**
(a) Ordinary shares					
Balance at the beginning of the period		80,274,455	78,238,398	36,965,377	36,909,161
Issue of Long Term Incentive Plan shares	(i)	408,059	1,802,750	–	–
Issue of shares to Managing Director	(ii)	–	257,750	–	–
Issue of shares	(iii)	12,692,309	–	33,000,003	–
Share issue cost (net of tax)		–	–	(1,657,782)	–
Cancellation of expired Long Term Incentive Plan shares	(iv)	–	(24,443)	–	–
Settlement of loan for Long Term Incentive Plan shares	(v)	–	–	–	56,216
Balance at end of period		**93,374,823**	**80,274,455**	**68,307,598**	**36,965,377**
(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, 1,045,000 LTIP shares were issued on 4 May 2020 and 757,750 LTIP shares were issued on 24 July 2020 as set out in Note 26.

(ii) On 24 July 2020, the Company issued 257,750 ordinary shares to the Managing Director for nil consideration as approved by shareholders on 9 July 2020 and 21 May 2019.

(iii) On 1 February 2021, 11,538,462 ordinary shares were issued at a price of $2.60 per new 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 new share in connection with a share purchase plan to eligible shareholders.

(iv) 24,443 expired LTIP shares were cancelled on 5 May 2020.

(v) 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 2021, the Group has no interest bearing loans and borrowings.

	Notes	Consolidated 2021 $	Consolidated 2020 $
Total interest bearing loans and borrowings		–	–
Less: cash and cash equivalents	8	(29,249,255)	(1,874,285)
Net cash		**(29,249,255)**	**(1,874,285)**
Total equity		43,067,734	17,115,850
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 2021 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2020. During the 2020 financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2020 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2019.

The final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021 has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2021.

	Consolidated			
	2021 Cents per share	2020 Cents per share	2021 $	2020 $
Fully paid ordinary shares				
Final dividend in respect of the previous financial year				
– No franking credits attached	0.50	0.50	440,659	375,566
Interim dividend in respect of the current financial year				
– No franking credits attached	0.50	0.50	440,660	376,853
	1.00	**1.00**	**881,319**	**752,419**

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 2021, 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	
	2021 $	2020 $
Judgements of reasonably possible movements:		
Loss before income tax		
+1.0% (100 basis points)	292,493	18,743
–0.5% (50 basis points)	(146,246)	(9,371)

The movements in profit 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 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**

Consolidated Year ended 31 December 2020	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	0.08%	–	1,874,285	–	–	–	1,874,285
Trade and other receivables	9	n/a	8,837,397	–	–	–	–	8,837,397
Total financial assets			**8,837,397**	**1,874,285**	**–**	**–**	**–**	**10,711,682**
Financial Liabilities								
Trade payables, third-parties	15	n/a	4,400,270	–	–	–	–	4,400,270
Leases, third-party	16	4.50%	–	–	148,567	711,863	3,846,042	4,706,472
Total financial liabilities			**4,400,270**	**–**	**148,567**	**711,863**	**3,846,042**	**9,106,742**
Net exposure			**4,437,127**	**1,874,285**	**(148,567)**	**(711,863)**	**(3,846,042)**	**1,604,940**

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 its 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 2021.

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 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**

Consolidated Year ended 31 December 2020	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	4,400,270	–	–	–	4,400,270
Leases, third-party	16	79,797	68,770	711,863	3,846,042	4,706,472
		4,480,067	**68,770**	**711,863**	**3,846,042**	**9,106,742**

(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 79% (2020: 83%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 53% (2020: 56%) of costs are denominated in the unit's functional currency.

At 31 December 2021, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated	
	2021 $	2020 $
United States dollars		
Amounts payable	237,136	694,078
Amounts receivable	–	–
Euros		
Amounts payable	147,022	3,811,291
Amounts receivable	1,909,390	3,444,878
Canadian dollars		
Amounts payable	80,011	48,144
Amounts receivable	237,393	569,256
Swedish Kroners		
Amounts payable	355,769	5,757
Amounts receivable	923,908	922,566
Japanese Yen		
Amounts payable	10,104	10,648
Amounts receivable	5,771	–
Great British Pound		
Amounts payable	8,054	–
Amounts receivable	244,716	–
Net exposure	**(2,483,082)**	**(366,782)**

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 2021.

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 other 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 2021		
Net (loss)/profit	(130,113)	143,125
Equity (decrease)/increase	(130,113)	143,125
31 December 2020		
Net profit/(loss)	74,164	(81,580)
Equity increase/(decrease)	74,164	(81,580)
CAD		
31 December 2021		
Net (loss)/profit	(14,307)	15,738
Equity (decrease)/increase	(14,307)	15,738
31 December 2020		
Net (loss)/profit	(47,374)	52,111
Equity (decrease)/increase	(47,374)	52,111
USD		
31 December 2021		
Net profit/(loss)	21,558	(23,714)
Equity increase/(decrease)	21,558	(23,714)
31 December 2020		
Net profit/(loss)	63,098	(69,408)
Equity increase/(decrease)	63,098	(69,408)
SEK		
31 December 2021		
Net (loss)/profit	(51,649)	56,814
Equity (decrease)/increase	(51,649)	56,814
31 December 2020		
Net (loss)/profit	(83,346)	91,681
Equity (decrease)/increase	(83,346)	91,681
GBP		
31 December 2021		
Net (loss)/profit	(21,515)	23,666
Equity (decrease)/increase	(21,515)	23,666
31 December 2020		
Net (loss)/profit	–	–
Equity (decrease)/increase	–	–

21. Commitments & contingencies

(a) Capital commitments

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

	Consolidated	
	2021 $	2020 $
Not later than one year	879,772	–
Total	**879,722**	**–**

Cyclomedica Australia Pty Ltd has 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 $326,211 (2020: $476,291) 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 2021 amounts to $3,366,657 (2020: $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 (2020: $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 by/(to) related parties
		$	$
Cell Structures Pty Ltd	**2021**	**50,069**	**–**
Cell Structures Pty Ltd	2020	53,971	(25,035)

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 year, payments of $50,069 (2020: $53,971) were made to Cell Structures Pty Ltd (an entity controlled by Director, Mr. Tom McDonald). All payments relate to Mr. McDonald's role as a non-executive director including consultancy services provided by him.

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		2021	2020
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 (formerly known as Inter Commerce Medical bvba)	4	Belgium	100%	100%
Cyclomedica Nordic AB (formerly known as Medicall Analys 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%	–

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 HLB Dodemont – Van Impe, 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. Unaudited as results are not material.
10. Dormant.

23. Events after the balance date

Final dividend

On 23 February 2022, the Directors declared a final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021, payable on 12 April 2022.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

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	
	2021 $	2020 $
Amounts received or due and receivable by the auditor of the parent entity and associated entities for:		
Audit and review of the financial statements	140,670	139,611
Other services:		
– tax compliance	18,982	30,771
– share registry	40,222	38,170
	199,874	**208,552**
Amounts received or due and receivable by other audit firms for:		
Audit of the financial statements of controlled entities	133,471	132,809
Other services	113,159	113,559
	246,630	**246,368**

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 $	$	$	$
2021	**866,146**	**30,000**	**77,604**	**14,420**	**545,925**	**1,534,095**
2020	828,381	50,000	69,632	42,723	714,484	1,705,220

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	
	2021 $	2020 $
Expense arising from equity-settled share-based payment transactions (note 5)	756,588	795,600

The share-based payment reserve at 31 December 2021 was $2,593,561 (2020: $1,836,973).

(b) Share-based payment other than implied options

During the previous year, the Company issued 257,750 ordinary shares to the Managing Director for nil consideration. These shares were freely traded on and from the date of issue as approved by shareholders on 9 July 2020.

(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	
		2021 Number	2020 Number	2021 $	2020 $
Balance at the beginning of the year		2,445,000	1,125,000	1.34	1.14
Granted during the year		408,059	1,802,750	3.20	1.38
Vested but unexercised during the year	(i)	–	(482,750)	–	–
Balance at the end of the year		**2,853,059**	**2,445,000**	**1.33**	**1.34**
Vested but unexercised at the end of the year		2,590,236	2,590,236		

(i) No LTIP shares (2020: 225,000) 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 $1.33 (2020: $1.02). The weighted average remaining contractual life for the Options and Implied Options outstanding as at 31 December 2021 is 0.91 years (2020: 1.61 years). The weighted average fair value of Options and Implied Options granted during the year was $1.02 (2020: $0.50).

(f) Implied Option pricing models

The following assumptions were used to derive a value for the 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	Implied Options	Implied Options	Implied Options	Implied Options	Implied Options	Implied Options
Exercise price per Option	$0.00	$1.55	$1.55	$1.50	$0.00	$1.22	$1.22	$1.83	$0.00	$3.20	$3.20
Number of recipients	1	1	1	2	1	23	4	1	1	34	1
Number of Options	200,000	225,000	500,000	200,000	269,614	215,000	830,000	500,000	257,750	405,059	3,000
Grant date	27/5/19	19/4/17	2/7/18	30/5/19	11/12/19	4/5/20	4/5/20	24/7/20	24/7/20	19/2/21	19/2/21
Dividend yield	–	–	–	–	–	–	–	–	–	–	–
Expected annual volatility	42.99%	44.00%	41.00%	42.99%	42.99%	51.00%	51.00%	58.00%	58.00%	61.00%	61.00%
Risk-free interest rate	1.23%	1.80%	2.09%	1.23%	0.80%	0.22%	0.26%	0.26%	0.26%	0.08%	0.37%
Expected life of Option (years)	6.18 years	8 years	4 years	3 years	2.5 years	2 years	3 years	1.85 years	1.80 years	3 years	6 years
Fair value per Option	$1.431	$0.349	$0.201	$0.392	$1.065	$0.308	$0.380	$0.315	$1.410	$1.012	$1.447
Share price at grant date	$1.47	$0.76	$0.99	$1.49	$1.065	$1.16	$1.16	$1.41	$1.41	$2.79	$2.79
Model used	Expensed at market price at grant date over expected life of Option	Black Scholes	Black Scholes	Black Scholes	Expensed at market price at grant date over expected life of Option	Black Scholes	Black Scholes	Black Scholes	Expensed at market price at grant date over expected life of Option	Black Scholes	Black Scholes

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 are not listed and as such do not have a market value.

27. Parent entity disclosure

	2021 $	2020 $
(i) Financial Position		
Assets		
Current Assets	22,779,449	3,564,080
Non-current Assets	41,677,103	30,193,540
Total Assets	**64,456,552**	**33,757,620**
Liabilities		
Current Liabilities	253,730	752,575
Non-current Liabilities	10,323,448	10,319,193
Total Liabilities	**10,577,178**	**11,071,768**
Net assets	**53,879,374**	**22,685,852**
Equity		
Contributed equity	63,174,973	31,832,959
Employee equity benefits reserve	2,593,561	1,836,973
Accumulated Losses	(11,889,160)	(10,984,080)
Total Equity	**53,879,374**	**22,685,852**
(ii) Financial Performance		
(Loss)/profit for the year	(23,761)	490,449
Other comprehensive income	–	–
Total comprehensive income for the year	**(23,761)**	**490,449**

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 34 to 74 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 2021 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 2021.

Signed in accordance with a resolution of the Directors:

James McBrayer
Managing Director and CEO

Sydney, 31 March 2022

Nexia Australia

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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 2021, 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 2021 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 ($2,796,973) Refer to note 14 Included in the Group's intangible assets are capitalised development costs $2,796,973 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 ($5,511,375) 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 2021, 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 24 to 31 of the directors' Report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Cyclopharm Limited for the year ended 31 December 2021, 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 2022

ASX Additional Information

The following information is current at 28 February 2022.

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	14.15%
Barings Acceptance Limited	11,444,962	12.26%
HSBC Custody Nominees (Australia) Limited – A/c 2	9,708,240	10.40%
National Nominees Limited	9,533,466	10.21%
Chemical Overseas Limited	8,005,769	8.57%
CVC Limited	6,644,758	7.12%
Mr James McBrayer	5,109,580	5.47%

B. Distribution of Equity Security Holders

(i) Analysis of numbers of equity security holders by size of holding as at 28 February 2022.

Category	Ordinary Shareholders	Percentage held of issued ordinary capital
1 – 1,000	364	0.18%
1,001 – 5,000	538	1.68%
5,001 – 10,000	233	1.95%
10,001 – 100,000	276	8.05%
100,001 and over	55	88.14%
Total	**1,466**	**100.00%**

(ii) There were 140 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	14.15%
2	Barings Acceptance Limited	11,444,962	12.26%
3	HSBC Custody Nominees (Australia) Limited – A/c 2	9,708,240	10.40%
4	National Nominees Limited	9,533,466	10.21%
5	Chemical Overseas Limited	8,005,769	8.57%
6	CVC Limited	6,644,758	7.12%
7	Citicorp Nominees Pty Limited	3,226,788	3.46%
8	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 AC>	1,982,189	2.12%
9	McBrayer Reid Investments Pty Ltd – LTIP 6 <McBrayer Clan Trust Ac>	1,721,554	1.84%
10	Chemical Overseas Limited	1,182,239	1.27%
11	Phillips River Pty Ltd <GAT AC>	1,038,914	1.11%
12	Lloyds & Casanove Investment Partners Ltd	987,503	1.06%
13	CS Fourth Nominees Pty <HSBC Cust Nom AU Ltd 11 AC>	972,281	1.04%
14	Mr James McBrayer	861,728	0.92%
15	Mr James McBrayer	861,728	0.92%
16	South Seas Holdings Pty Limited	686,538	0.74%
17	City & Westminster Limited	556,327	0.60%
18	Mathew Farag <LTIP Account Holding 4>	500,000	0.54%
19	McBrayer Reid Investments Pty Limited <McBrayer Clan LTIP 8 Ac>	500,000	0.54%
20	Malackey Holdings Pty Ltd	431,758	0.46%
		74,058,074	79.31%
	Other equity security holders	19,316,749	20.69%
	Total	**93,374,823**	**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

Company Secretary
James McBrayer

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Cyclomedica Benelux bvba

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Etterbeek 1040
Belgium

Cyclomedica UK Ltd

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Auditors

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Australia

Share Registry

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

Bankers

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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 Limited **Annual Report 2021**

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