

# **Cyclopharm Limited Notice of Annual General Meeting and Explanatory Statement**

**to be held at the Boardroom of Cyclopharm Limited, Unit 4, 1 The Crescent, Kingsgrove, NSW 2208 at 11.30am, (Sydney time) on Tuesday, 9 May 2017**

**This document is important.**

Please read the information it contains carefully. It is important that you vote on these resolutions either by attending the meeting or by completing and lodging the enclosed proxy form. If you are in doubt as to its contents, you should consult your professional advisor(s).

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### **IMPORTANT DATES**

Close for receipt of written questions to Auditor	5.00 pm	Tuesday, 2 May 2017
Close for receipt of Proxy Forms	11:30am	Sunday, 7 May 2017
Determination of Entitlement to Vote	7.00 pm	Friday, 5 May 2017
Meeting	11.30 am	Tuesday, 9 May 2017

# NOTICE OF ANNUAL GENERAL MEETING OF CYCLOPHARM LIMITED

Notice is given that the Annual General Meeting of members of Cyclopharm Limited ACN 116 931 250 (**Company**) will be held at the Boardroom of Cyclopharm Limited, Unit 4, 1 The Crescent, Kingsgrove, NSW 2208, Australia on **Tuesday, 9 May 2017** at **11.30am** Sydney time.

## 1. ORDINARY BUSINESS

### 1.1 Financial Statements and Reports

- (a) *To receive and consider the financial statements and the reports of the Directors and the Auditors of the Company for the year ended 31 December 2016.*

An explanation of this item is to be found in the notes to this notice and paragraph 2.1 of the Explanatory Statement.

### (b) Resolution 1 – Remuneration Report

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That the Remuneration Report as set out in the Annual Report of the Company for the financial year ended 31 December 2016 be adopted."*

An explanation of this item is to be found in paragraph 2.2 of the Explanatory Statement.

#### Notes:

- (1) The vote on this resolution is advisory only and does not bind the Directors or the Company.
- (2) If 25% or more of the votes that are cast are voted against the remuneration report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill' resolution) that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must stand for re-election.
- (3) Except as set out below, a vote must not be cast (in any capacity) on Resolution 1 by or on behalf of the Company's key management personnel (KMP), details of whose remuneration are included in the Remuneration Report, and their closely related parties, whether as shareholder or as a KMP's proxy. However, a vote may be cast on Resolution 1 by a KMP, or a closely related party of a KMP, if:
  - the vote is cast as a proxy;
  - the appointment is in writing and specifies how the proxy is to vote on Resolution 1; and
  - the vote is not cast on behalf of a KMP or closely related party of a KMP.

Further, any Undirected Proxies granted to the Chairman of the Meeting that expressly authorise the Chairman to vote on Resolution 1 despite the fact that Resolution 1 is connected with the remuneration of the KMP, may be voted in favour of that Resolution 1.

## 1.2 Resolution 2 – Re-election of Director

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution** with effect from the close of the meeting:

*"That, for the purposes of ASX Listing Rule 14.5 and for all other purposes, Mr David James Heaney, who retires at the close of this Annual General Meeting and, being eligible, and having consented to act, be re-elected as a Director of the Company."*

An explanation of this item, and more information on Mr Heaney, is to be found in paragraph 3 of the Explanatory Statement.

## 1.3 Resolution 3 – Election of Director

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution** with effect from the close of the meeting:

*"That Mr Thomas Arthur McDonald, being eligible and having consented to act, be elected as a Director of the Company."*

An explanation of this item, and more information on Mr McDonald, is to be found in paragraph 4 of the Explanatory Statement.

## 1.4 Resolution 4 - Share Buy-back

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That pursuant to and in accordance with section 257C(1) of the Corporations Act 2001 (C'wlth), as amended, and for all other purposes, the shareholders approve, with effect from when the Directors make the relevant announcement to the ASX, the on-market buy-back of up to 25% of the fully paid ordinary shares in the Company expiring on whichever is the earlier of the anniversary of the passage of this resolution or the 2018 Annual General Meeting and otherwise on the terms and conditions set out in the Explanatory Statement accompanying the 2017 Notice of Annual General Meeting."*

More information on the Share Buy-back is to be found in paragraph 5 of the Explanatory Statement.

## 1.5 Resolution 5 – Increase in the Maximum Aggregate Annual Remuneration of Non-Executive Directors

Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, for the purpose of ASX Listing Rule 10.17, clause 42.1 of the Company's Constitution and for all other purposes, the shareholders approve the maximum aggregate annual remuneration that may be paid by the Company as remuneration for the services of the Company's non-executive Directors be increased by \$25,000 from \$200,000 to \$225,000 with effect on and from 1 July 2017."*

An explanation of this item and information about the proposed increase in the maximum aggregate annual remuneration of non-executive Directors are found in paragraph 6 of the Explanatory Statement.

### Voting exclusion

The Company will disregard any votes cast on this resolution by the Directors and any of their associates. However, the Company will not disregard a vote if:

- if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **2 OTHER BUSINESS**

To consider any other business that may be properly brought forward at the meeting in accordance with the Constitution and the law.

### **By Order of the Board**

James McBrayer  
Company Secretary

Dated: 7 April 2017

### **PLEASE NOTE:**

The Notes to, and the Explanatory Statement and Proxy Form following this Notice of Meeting should be read in conjunction with, and form part of, this Notice.

*Capitalised words have the meaning ascribed to them in the Glossary in the attached Explanatory Statement.*

## NOTES TO NOTICE OF MEETING:

### 1. Explanatory Statement

An explanation of each resolution is included in the accompanying Explanatory Statement.

### 2. Voting Entitlement

2.1 The Board, as the convenor of the meeting, has determined that the shareholding of each member for the purpose of ascertaining voting entitlements at the Annual General Meeting will be as it appears on the register of Shareholders at **7.00pm** (Sydney time) on **Friday, 5 May 2017**.

2.2 On a show of hands, every person present and qualified to vote shall have one vote. If a Shareholder appoints one proxy, then that proxy may vote on a show of hands. However, if the Shareholder appoints 2 proxies, neither may vote on a show of hands.

If a Shareholder appoints a proxy who is also a Shareholder or also a proxy for another Shareholder, their directions may not be effective on a show of hands. However, upon a poll and upon the proxy voting on the poll then their voting direction will be fully counted. Should a poll be taken, then the Auditors, Nexia Sydney Audit Pty Ltd, will act as scrutineer.

### 3. Questions and Comments by Shareholders at the Meeting

3.1 In accordance with the Corporations Act and rule 104.3 of the Constitution, a reasonable opportunity will be given to Shareholders at the meeting to ask questions about, or make comments on, the management of the Company.

3.2 Similarly, in accordance with the Corporations Act and rule 104.4 of the Constitution, a reasonable opportunity will be given to Shareholders to ask the Auditors, Nexia Sydney Audit Pty Ltd, questions relevant to:

- (1) the conduct of the audit;
- (2) the preparation and content of the Auditor's Report;
- (3) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- (4) the independence of the Auditor in relation to the conduct of the audit.

3.3 Shareholders may also submit written questions to Nexia Sydney Audit Pty Ltd, via the Company, no later than 5 business days before the Annual General Meeting. Any question must be relevant to the content of Nexia Sydney Audit Pty Ltd's Audit Report or the conduct of its audit of the Company's financial report for the year ended 31 December 2016.

3.4 Relevant written questions for Nexia Sydney Audit Pty Ltd must be received no later than **5.00pm** (Sydney time) on **Tuesday, 2 May 2017**. A list of those relevant written questions will be made available to Shareholders attending the Annual General Meeting. Nexia Sydney Audit Pty Ltd will either answer the questions at the Annual General Meeting or table written answers to them at the Meeting. If written answers are tabled at the Meeting, they will be made available to Shareholders as soon as practicable after the Annual General Meeting.

#### 4. Proxies

- 4.1 A Shareholder entitled to attend and vote at this Meeting is entitled to appoint not more than 2 proxies. If 2 proxies are appointed, each proxy must be appointed to represent a specific proportion or number of the Shareholders' voting rights. If the appointment does not specify the proportion or number of the Shareholders' votes each proxy may exercise, each proxy may exercise one half of the Shareholders' votes. Fractions of votes will be disregarded.
- 4.2 If Shareholders wish to appoint one proxy, please use the form provided. If you want to appoint 2 proxies, please contact the Company for an additional form and follow the instructions set out on the reverse side of the proxy form.
- 4.3 A Shareholder may appoint an individual or a body corporate as their proxy. A body corporate appointed as a proxy may then nominate an individual to exercise its powers at meetings. A proxy need not be a Shareholder of the Company.
- 4.4 To be effective a proxy form and an original or certified copy of the authority (if any) under which it is signed (such as a power of attorney or, in the case of a body corporate Shareholder, a certificate of appointment of personal representative) must be:
- delivered (by hand, mail, courier or fax) to the Company at Unit 4, 1 The Crescent, Kingsgrove, NSW 2208, Australia; or
  - sent by facsimile to (+612) 9543 0960,
- to arrive (in each case) no later than **11.30am** (Sydney time) on **Sunday, 7 May 2017**. If it is not received by that time, the appointment of proxy will not be treated as effective.
- 4.5 If a Shareholder is a body corporate, the proxy form may be signed by:
- 2 Directors;
  - a Director and either a company secretary or other authorised signatory;
  - in the case of a proprietary company that has a sole Director that is also the sole company secretary, by that Director, or
  - the body corporate's appointed attorney under power of attorney.
- 4.6 In the case of joint holdings a proxy may be signed by any one of the joint holders. However, if the Company receives more than one appointment for the same Share:
- an appointment signed by all joint holders will be accepted in preference to an appointment signed by the Shareholder whose name appears first in the register of Shareholders or by any other Shareholder holding the share jointly; and
  - subject to the preceding paragraph, an appointment signed by the Shareholder whose name appears first in the register of Shareholders will be accepted in preference to an appointment signed by any other Shareholder or Shareholders holding the share jointly.
- 4.7 Completion of a proxy form will not prevent individual Shareholders from attending the Meeting if they wish. Where a Shareholder completes and delivers a valid proxy form and attends in person, the authority of the proxy to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
- 4.8 A member of the Company's Key Management Personnel or their Closely Related Party must not, whether in person or by proxy, vote in their own right on Resolution 1.

- 4.9 A person appointed as a proxy may vote or abstain from voting as he or she thinks fit except in the following circumstances:
- 4.9.1 The proxy holds a Directed Proxy Form;
  - 4.9.2 Where the proxy is voting in relation to a Remuneration Resolution and the proxy is either a Key Management Personnel for the Company or a Closely Related Party of the Company and holds an Undirected Proxy Form; and
  - 4.9.3 The proxy is required by law or the Company's Constitution to vote in a certain manner or abstain from voting.
- 4.10 Clause 4.9.2 does not apply if the Chairman of the meeting is appointed as proxy and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is a Remuneration Resolution.
- 4.11 The Chairman intends to vote all Undirected Proxy Forms in favour of Resolutions 1, 2, 3, 4 and 5 and he is expressly authorised to do so.
- 4.12 **Closely Related Party** means the closely related parties of the Key Management Personnel as defined in the Corporations Act, including certain members of their family, dependants and companies they control.

**Directed Proxy Form** means a proxy form which specifies how a proxy is to vote.

**Key Management Personnel** of the Company are the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's Key Management Personnel for the financial year to 31 December 2016. Their Closely Related Parties are defined in the Corporations Act, and include certain members of their family, dependents and companies they control.

**Remuneration Resolution** means a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

**Undirected Proxy Form** means a proxy form which does not specify how the proxy is to vote.



# EXPLANATORY STATEMENT

## 1. IMPORTANT NOTICE

- 1.1 This Explanatory Statement is given to Shareholders to explain the resolutions to be considered at the Annual General Meeting (**Resolutions**) and to allow Shareholders to determine how they wish to vote on the Resolutions. The Explanatory Statement should be read in conjunction with, and forms part of, the Notice of Annual General Meeting which this Explanatory Statement accompanies.
- 1.2 *Capitalised words in this Explanatory Statement have a defined meaning which appears in it or in the Glossary.*
- 1.3 This Explanatory Statement is dated 7 April 2017.

## 2. REPORTS

- 2.1 The Corporations Act requires the financial statements and reports of the Directors and Auditors to be laid before the Meeting. These are all incorporated into the Annual Report. Neither the Corporations Act nor the Constitution requires Shareholders to vote on such statements and reports. However, Shareholders will be given ample opportunity to raise questions on the Annual Report at the Meeting. For further information see **note 3 on page 5**. The Annual Report is available on the Company's website at [www.cyclopharm.com.au](http://www.cyclopharm.com.au).

### 2.2 EXPLANATION OF RESOLUTION 1 - REMUNERATION REPORT

The Directors' Report - "Remuneration Report" (**Remuneration Report**) is contained in the Company's 2016 Annual Report.

The Corporations Act requires a resolution be put to the shareholders of a listed company to adopt the Remuneration Report as disclosed in the Directors' Report component of the 2016 Annual Report (see pages **23 to 33** of the 2016 Annual Report inclusive). This Resolution is being put so as to give Shareholders a reasonable opportunity to ask questions or make comments concerning the Remuneration Report during the Meeting.

The Remuneration Report:

- explains the Board's policies in relation to the nature and level of remuneration paid to Directors, secretaries and senior managers with the Company;
- discusses the link between the Board's policies and the Company's performance;
- provides a summary of performance conditions, explaining why they were chosen and how performance is measured against them;
- sets out remuneration details for each Director and for each member of the Company's senior executive management team; and
- makes clear that the basis for remunerating non-executive Directors is distinct from the basis for remunerating executives, including executive Directors.

The vote on this resolution is advisory only and does not bind the company or its directors. No member of the key management personnel or closely related party of the key management personnel may vote on resolution 1.

Under the Corporations Act, if 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill' resolution) that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must go up for re-election.

### 2.3 Directors' Recommendation

**As the Directors have a personal interest in this proposed Resolution 1, they make no recommendations as to how shareholders should vote on the resolution.**

## 3. EXPLANATION OF RESOLUTION 2 – RE-ELECTION OF DIRECTOR

3.1 Shareholders will be asked to consider and, if thought fit, pass the following Resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 14.5 and for all other purposes, Mr David James Heaney, who retires at the close of this Annual General Meeting and, being eligible, and having consented to act, be re-elected as a Director of the Company.*

3.2 Rule 5.1 of the Constitution and ASX Listing Rule 14.4 require that, at each annual general meeting, one-third of the Directors must retire from office. As required by Rule 5.2 of the Constitution and in accordance with the ASX Listing Rules, Mr Heaney, the longest standing director in office has offered himself for re-election.

3.3 The Nominations Committee (excluding Mr Heaney) of the Board has conducted an assessment of Mr Heaney including a review of the skills, knowledge, experience and diversity represented on the Board. Having conducted those assessments, the Board recommends to Shareholders the re-election of Mr Heaney.

3.4 The following is a profile of Mr David Heaney:

**Board position:** Elected by Shareholders to the Board of the Company on 8 May 2007. Mr Heaney was appointed Chairman from 29 March 2017 and had previously served as Acting Chairman from 23 October 2013 to 15 May 2014 and from 7 October 2016 to 28 March 2017 pursuant to Mr Gould's voluntary redesignation as a non-executive Director.

**Committees:** Chairman of the Audit and Risk, Board Nominations and Remuneration Committees.

**Experience:** Mr Heaney served as a non-executive director of Colorkpak Limited from February 2004 until May 2016 and has been a non-executive director of several listed and unlisted 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.

**Independence:** Mr Heaney satisfies the requirements for an independent director under ASX Recommendation 2.3 as he is a non-executive Director and has a relevant interest in approximately 0.25% of Shares.

### 3.5 Directors' Recommendation

**The Board, other than Mr Heaney (who abstains), recommends that Shareholders vote in favour of Resolution 2.**

## 4. EXPLANATION OF RESOLUTION 3 – ELECTION OF DIRECTOR

4.1 Shareholders will be asked to consider and, if thought fit, pass the following Resolution as an ordinary resolution:

*"That Mr Thomas Arthur McDonald, being eligible and having consented to act, be elected as a Director of the Company."*

Mr McDonald, being eligible, offers himself for election as a Director of the Company and his consent to act will be tabled at the Meeting prior to the resolution to appoint him being put to the Meeting.

**4.2** Mr McDonald was appointed as a non-executive Director on 3 April 2017. In accordance with the Constitution, Mr McDonald offers himself for election.

**4.3** The Nominations Committee (excluding Mr McDonald) of the Board has conducted an assessment of Mr McDonald, and has reviewed the skills, knowledge, experience and diversity represented on the Board. Having conducted those assessments and that review, the Board recommends to Shareholders the election of Mr McDonald.

**4.4** The following is a profile of Mr Thomas McDonald:

**Board position:** Appointed as non-executive Director on 3 April 2017.

**Committees:** Member of the Audit and Risk, Board Nominations and Remuneration Committees.

**Qualifications:** Mr McDonald holds a Bachelor of Commerce from UNSW, is a Fellow of CPA Australia and is a member of the Australian Institute of Company Directors and Chartered Secretaries Australia.

**Experience:** Mr McDonald is a non-executive director of ASX-listed WolfStrike Rentals Group Limited, where he is Chairman of the Audit and Risk Committee and a member of the Remunerations Committee. He has previously held senior positions with ASX-listed Allomak Limited, CK Life Sciences Int'l Inc., ASX-listed Lipa Pharmaceuticals Limited and Keycorp Limited. For many years, he held global senior executive roles at USA biotech Beckman Instruments Inc both in Australia and overseas.

**Independence:** Mr McDonald satisfies the requirements for an independent director under ASX Recommendation 2.3 as he is a non-executive Director and has nil relevant interest in Shares.

**4.5 Directors' Recommendation**

**The Board, other than Mr McDonald (who abstains), recommends that Shareholders vote in favour of Resolution 3.**

## **5. EXPLANATION AND SUMMARY OF RESOLUTION 4 – SHARE BUY BACK**

**5.1** Shareholders will be asked to consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

*“That pursuant to and in accordance with section 257C(1) of the Corporations Act 2001 (C’w/ith), as amended, and for all other purposes, the shareholders approve, with effect from when the Directors make the relevant announcement to the ASX, the on-market buy-back of up to 25% of the fully paid ordinary shares in the Company expiring on whichever is the earlier of the anniversary of the passage of this resolution or the 2018 Annual General Meeting and otherwise on the terms and conditions set out in the Explanatory Statement accompanying the 2017 Notice of Annual General Meeting.”*

## 5.2 Background

The Board has completed a capital management review and believes that a buy-back of shares in combination with other strategies, is the most expedient, efficient and cost effective way for the Company to enhance long term shareholder value.

In particular, an on market-buy-back gives shareholders the choice whether to hold or sell their shares over the buy-back period, whereas under other alternatives (such as an equal capital reduction or an off-market equal access buy-back) shareholder may not be given such a choice.

If, in the next 12 months, the Company is in a financial position to do so, then it will consider implementing a buy-back on the terms and conditions set out in this resolution, accordingly shareholder 'pre-approval' is sought to implement and conduct the buy-back.

## 5.3 Regulatory Requirements

Section 257C(1) of the Corporations Act authorises a listed company to buy-back its own shares on market if the buy-back does not materially prejudice its ability to pay its creditors and it follows the procedures set out in the Corporations Act.

The implementation of the buy-back is conditional on the approval by a resolution passed at a general meeting of the Company. This resolution is an ordinary resolution and will be passed if a majority of votes cast, in person or by proxy, attorney or representative by Shareholders at the meeting is cast in favour of the resolution.

Shareholder approval is required if the Company proposes to buy-back more than 10% of the smallest number of shares on issue at any time during the last 12 months. This limit after which a company requires shareholder approval for an on-market buy-back is called the "10/12 limit".

As the Company is proposing to buy-back up to a maximum of 25% of its issued capital, shareholder approval is sought.

If approved, it is intended that the on-market buy-back will continue until the earlier of 12 months, the day that the maximum number of shares have been bought back, or at an earlier date as determined by the Directors.

The Constitution does not, at the relevant time, preclude the buy-back of Shares or restrict the Company's power to do so. The Company will stand in the market to buy-back not more than 25% of its ordinary share capital and this can be done on a continuous basis.

If this resolution is passed, the buy-back may be implemented by the Board at any time by making the announcement to the ASX required by the ASX Listing Rules. Nevertheless, the Board may choose not to proceed, or to proceed at a later date.

## 5.4 Number of shares subject to the buy-back

The maximum percentage of Shares to be bought back is 25%. Based on the number of ordinary shares on issue as at the date of this notice being 59,726,733 shares, the maximum number of Shares to be bought back would be 14,931,683.

The Company will offer to buy-back shares on-market through transactions on Australian Securities Exchange (**ASX**). It is not required to buy-back a specific number of shares or a minimum specified value of shares over any period. The Company will cancel all shares which are bought back.

## 5.5 Price

The shares will be bought back at the quoted selling price of the Company's shares on the ASX. In accordance with ASX Listing Rule 7.33, the price payable by the Company to buy-back shares cannot be more than 5% above the volume weighted average market price per share calculated over the last 5 days on which sales were recorded before the day of the buy-back.

The volume weighted average market price means in relation to the Company's shares for a particular period, the volume weighted average price of trading in those shares on the ASX and the Chi-X Market over that period, excluding block trades, large portfolio trades, permitted trades during the pre-trading hours period, permitted trades during the post-trading hours period, out of hours trades and exchange traded option exercises.

Historical share price information is below:

Information	Price	Date
Close Price	\$0.89	20 March 2017
High for 12 Months	\$1.46	29 July 2016
Low for 12 Months	\$0.53	22 March 2016
30 day Volume Weighted Average	\$0.89	19 February 2017 to 20 March 2017
60 Day Volume Weighted Average	\$0.89	20 January 2017 to 20 March 2017

## 5.6 Funding

The cost to the Company of the buy-back is dependent on the number and price of shares bought back.

By way of example, an on-market buyback offer at \$0.89 per Share would require maximum funding of approximately \$13,289,198 (assuming full acceptance of the buy-back offer 25%).

The financial effect of the proposed buy-back will be to deplete the Company's cash reserves and/or to increase its borrowings depending upon the appropriate funding mix utilised by the Directors at the time the offer proceeds. A copy of the latest audited accounts for the year ended 31 December 2016 is available on the Company's website at [www.cyclopharm.com.au](http://www.cyclopharm.com.au) and on [www.asx.com.au](http://www.asx.com.au).

Against this, the share capital of the Company will be reduced with a likely beneficial increase of net tangible asset backing per share.

The offer will not proceed if the buy-back would materially prejudice the Company's ability to pay its creditors.

The Company intends to utilise its cash reserves to pay for the Shares it buys-back when making the on-market offer and to supplement some with borrowings. The break-up between one and the other will depend on the circumstances of the Company at the time the offer is made and will be detailed in the relevant announcement to the ASX.

No decision has been made in relation to the proposed funding, as noted earlier, this approval is sought in anticipation of the Company being in a financial position to implement and fund the buy-back without materially prejudicing its ability to repay creditors.

## 5.7 Discussion and analysis

### ***Advantages of Introducing a Share Buy-back***

The key advantages of the buy-back being allowed to proceed are as follows:

1. increase the liquidity of the Shares;

2. an efficient use of any surplus capital that becomes available to the Company in a market where finding suitable investments proves difficult;
3. the buy-back is structured as an on-market buy-back which gives shareholders the choice whether to hold or sell their shares over the buy-back period;
4. increasing price competition for the Shares; and
5. the promotion of a more efficient capital structure.

#### ***Disadvantages of Introducing a Share Buy-back***

The key disadvantages of the buy-back being allowed to proceed are as follows:

1. it reduces the cash reserves of the Company. The use of those funds for the buy-back means that they will not be available for use in the Company's ordinary course of business;
2. it is structured as an on-market buy-back which means not all shareholders will participate; and
3. there is uncertainty about the funding strategy of the buy-back, this means the debt/equity mix has not yet been determined and the Company is unable to advise shareholders what the precise financial effect of the on-market buy-back will be.

### **5.8 Other considerations**

Accepting the on-market Share buy-back may have financial, taxation, or other ramifications for Shareholders depending upon each such Shareholders' personal circumstances and the Board recommends that before accepting any on-market offer, Shareholders should obtain their own professional advice.

The Company is satisfied that this notice of meeting and explanatory statement set out all the information known to the Company that is material to the decision how to vote on the resolution.

If approval of Resolution 4 is not given, the Company is still able to buy-back on market the maximum number of Shares permitted under the 10/12 limit without Shareholder approval.

The Chairman intends to vote all Undirected Proxies in favour of Resolution 4.

### **5.9 Directors' Intentions**

At the date of this explanatory statement, no Director had determined whether he will accept a buy-back offer in respect of shares in which he has an interest. Any participation by Directors will be disclosed to the market.

### **5.10 Directors' Recommendation**

**The Board unanimously recommends that Shareholders vote in favour of Resolution 4.**

## **6. EXPLANATION AND SUMMARY OF RESOLUTION 5 – INCREASE IN THE MAXIMUM AGGREGATE ANNUAL REMUNERATION OF NON-EXECUTIVE DIRECTORS**

### **6.1 Shareholders will be asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:**

*“That, for the purpose of ASX Listing Rule 10.17, clause 42.1 of the Company’s Constitution and for all other purposes, the shareholders approve the maximum aggregate annual remuneration that may be paid by the Company as remuneration for the services of the Company’s non-executive Directors be increased by \$25,000 from \$200,000 to \$225,000 with effect on and from 1 July 2017.”*

### **6.2 Background**

In May 2015, Shareholders approved aggregate non-executive remuneration to be increased from \$100,000 to 200,000 per year. The 2016 total remuneration of the 3 non-executive Directors amounted to \$105,163 as disclosed in the Remuneration Report component of the 2016 Annual Report (see page 24 of the 2016 Annual Report). The 2016 total remuneration is approximately 52.6% of the approved aggregate annual remuneration of non-executive Directors and included the remuneration of 1 non-executive Director, Mr Henry Townsing, who did not seek re-election at the 2016 Annual General Meeting.

Due to the previous financial position of the Company, the remuneration of non-executive Directors had not been reviewed for many years. The performance of the Company depends upon the quality of its Directors. In order to attract, motivate and retain highly skilled Directors, commencing 1 July 2016, the Board revised the remuneration of non-executive Directors to the following:

- Non-executive Chairman \$70,000 per year and
- Non-executive Director \$50,000 per year.

The current aggregate remuneration of \$200,000 allows for a maximum of 1 non-executive Chairman and 2 non-executive Directors. Shareholder approval is sought to increase the aggregate remuneration from \$200,000 to \$225,000 per year to allow for a possible third non-executive Director to be appointed to the Board. The Company does not intend to fully utilise the increase in the near future.

### **6.3 Regulatory Requirements**

ASX Listing Rule 10.17 requires the Company to obtain shareholder approval for any increase in the total amount of remuneration payable to non-executive Directors. Within the preceding 3 years, no securities have been issued to a non-executive Director under ASX Listing Rule 10.11 or 10.14 with the approval of the Company’s shareholders.

### **6.4 Directors' Recommendation**

**As the directors have a personal interest in this proposed Resolution 5, they make no recommendations as to how shareholders should vote on the resolution.**

## 7. GLOSSARY OF TERMS

In this explanatory statement, the following expressions have the following meanings:

**Annual Report** means the report to Shareholders containing, amongst other things, the financial statements, report of the Directors, the remuneration report and the report of the Auditors to which reference is made in this explanatory statement;

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Ltd trading as Australian Securities Exchange;

**ASX Listing Rules** means the listing rules of ASX;

**Auditors** means Nexia Sydney Audit Pty Ltd, Chartered Accountants, the Company's external auditors;

**Board** means the Directors of the Company from time to time;

**Closely Related Party** means the closely related parties of the Key Management Personnel as defined in the Corporations Act, including certain members of their family, dependents and companies they control;

**Company** means Cyclopharm Limited ACN 116 931 250 the registered office of which is located at Unit 4, 1 The Crescent, Kingsgrove, NSW 2208 Australia;

**Constitution** means the Constitution of the Company adopted by the Shareholders dated 31 October 2005 and the amendments approved at the annual general meeting convened on 26 May 2011;

**Corporations Act** means the *Corporations Act 2001* (Cth), as amended;

**Directed Proxy Form** means a proxy form which specifies how a proxy is to vote;

**Directors** means the Directors of the Company from time to time sitting as the Board or individually as the case requires;

**Key Management Personnel** means the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly;

**Meeting** or **Annual General Meeting** means the annual general meeting of Shareholders convened by the Notice of Meeting;

**Notice of Meeting** means the notice of annual general meeting dated 7 April 2017 which accompanies this explanatory statement;

**Remuneration Resolution** means a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel;

**Resolution** means an ordinary resolution referred to in the Notice of Meeting;

**Share** means a fully paid ordinary share in the capital of the Company;

**Shareholders** means the holders of Shares in the Company as recorded in the register at 7.00 pm (Sydney time) on Friday, 5 May 2017;

**Share Registry** means NextRegistries of Level 16, 1 Market Street, Sydney, NSW, 2000; and

**Undirected Proxy Form** means a proxy form which does not specify how the proxy is to vote.

## 8. SHAREHOLDER ENQUIRIES

Shareholders with questions regarding this Notice of Meeting and Explanatory Statement should contact the Company Secretary, James McBrayer, on +61 2 9541 0411 during normal office hours. He will attempt to answer your questions or refer you to someone who can do so, but no person is authorised by the Company to give any information, or make any representation, in connection with the Notice or Explanatory Statement not contained in them.



# Cyclopharm Limited

ABN 74 116 931 250

## PROXY FORM

**TO: The Company Secretary  
Cyclopharm Limited (Company)  
Unit 4, 1 The Crescent, Kingsgrove, NSW 2208**  
**FAX: (+612 9543 0960)**

Appointment of Proxy  
**I/We,** \_\_\_\_\_ [Name of member(s)]

of \_\_\_\_\_ [Address]

being a member(s) of the Company and entitled to attend and vote appoint as my/our proxy

\_\_\_\_\_ [Name of Proxy]

of \_\_\_\_\_ [Address of Proxy]

or, failing the individual or body corporate named, or if left blank, the Chairman of the Annual General Meeting of the Company to be held on **Tuesday, 9 May 2017 at 11.30 am** (Sydney time) at the Boardroom of Cyclopharm Limited, Unit 4, 1 The Crescent, Kingsgrove, NSW 2208, Australia to act generally at the meeting on my/our behalf and to vote for me/us at that meeting and at any adjournment of it.

**Appointing a Second Proxy** - If you wish to appoint two proxies, see overleaf, item 4.

**Voting** directions to your proxy – please mark  to indicate your directions

### Chairman's voting intentions

By appointing the Chairman of the Meeting as your proxy, you expressly authorise the Chairman to vote in favour of Resolutions 1 and 5, even though the Resolutions are connected directly or indirectly with the remuneration of Key Management Personnel.

The Chairman of the Meeting intends to vote all available undirected proxies in favour of each resolution.

**If you direct the Chairman as your proxy and you do not wish the Chairman to vote in favour of Resolutions 1 and 5, or any other Resolution, you may direct the Chairman to vote against that Resolution or abstain from voting on that Resolution by marking the appropriate box opposite that item below.**

No.	Resolutions	For	Against	Abstain *
1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of Non-Executive Director (Mr D J Heaney)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Election of Non-Executive Director (Mr T A McDonald)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Approval for Share Buy-back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Increase in the Maximum Aggregate Annual Remuneration of Non-Executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your directions to be implemented.

Individual or Securityholder 1

Individual/Sole Director and  
Sole Company Secretary

.....  
Contact Name

Securityholder 2

Director

.....  
Contact Daytime Telephone

Securityholder 3

Director/Company Secretary

...../...../.....  
Date

## How to complete this Proxy Form

### 1 Your Name and Address

The Annual Report and Notice of Meeting documents have been sent to your name and address as it appears on the share register of Cyclopharm Limited. If this information is incorrect, please advise the Company of your new details. Shareholders sponsored by a broker should advise their broker of any changes. **Please note you cannot change ownership of your Shares using this form.**

### 2 Appointment of a Proxy

If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy and vote on your behalf. A proxy need not be a Shareholder of Cyclopharm Limited.

### 3 Votes on items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy will vote as they choose. If you mark more than one box on a resolution your vote on that resolution will be invalid.

#### **4 Appointment of a Second Proxy**

If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on (+612 9541 0411) or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If two Proxy Forms are received but no percentage or number of votes is indicated, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together in the facsimile transmission or in the same envelope.

#### **5 Authorised Signature(s)**

You must sign this form as follows in the spaces provided:

Joint Holding : where the holding is in more than one name all of the holders must sign.

Power of Attorney : to sign under a power of attorney, you must have already lodged the power of attorney with the share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the power of attorney to this form when you return it.

Companies : a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary (or where there is no Company Secretary) can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of corporate shareholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company or share registry.

#### **6 Lodgement of Proxy**

To be valid the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be lodged with the Company:

- (a) at the registered office at Unit 4, 1 The Crescent, Kingsgrove, NSW 2208, Australia; or
- (b) by faxing it to fax number (+612) 9543 0960,

not later than **11.30am** (Sydney time) on **Sunday, 7 May 2017**, being 48 hours before the holding of the Meeting.

**Documents may be lodged by posting, delivery or facsimile to Cyclopharm Limited at the address opposite:**

**Unit 4, 1 The Crescent, Kingsgrove, NSW 2208, Australia  
Facsimile: (+612) 9543 0960**