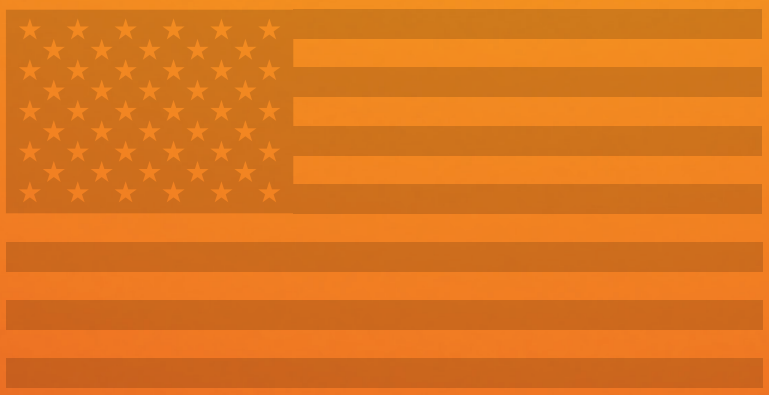
Cyclopharm Limited
Annual Report 2023

Innovative solutions in nuclear medicine

Cyclopharm Limited is a health technology company that is a world leader in functional lung ventilation imaging. Our proprietary product Technegas™ is a clinical market leader in nuclear medicine diagnostic imaging and is now available in 65 countries.

Following USFDA approval, the Company is entering its next growth phase from a position of strength.

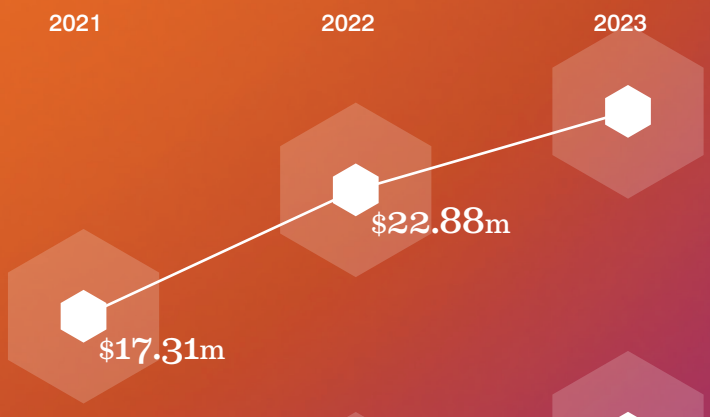


Contents

Cyclopharm delivered another solid performance in 2023 and, following USFDA approval, access to the US market is expected to significantly grow sales of Technegas™ in coming years.

Summary Financials

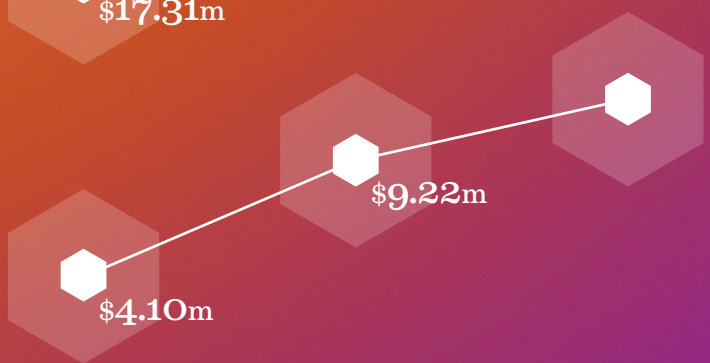
Full year ending 31 December	2021 $'000	2022 $'000	2023 $'000	Movement
Operational Sales Revenue	17,312	22,878	26,339	↗
Loss Before Tax	(4,347)	(6,030)	(4,190)	↗
Loss After Tax	(5,040)	(6,612)	(4,701)	↗
Diluted Loss Per Share (cents)	(5.62)	(7.17)	(5.07)	↗
Net (Loss)/Profit Before Tax				
Technegas™ Division	(4,652)	(6,411)	(8,150)	↘
Molecular Imaging Division	305	381	3,960	↗
Total Net (Loss) Before Tax	(4,347)	(6,030)	(4,190)	↗



Operational sales revenue

$26.34m

up 15.1%



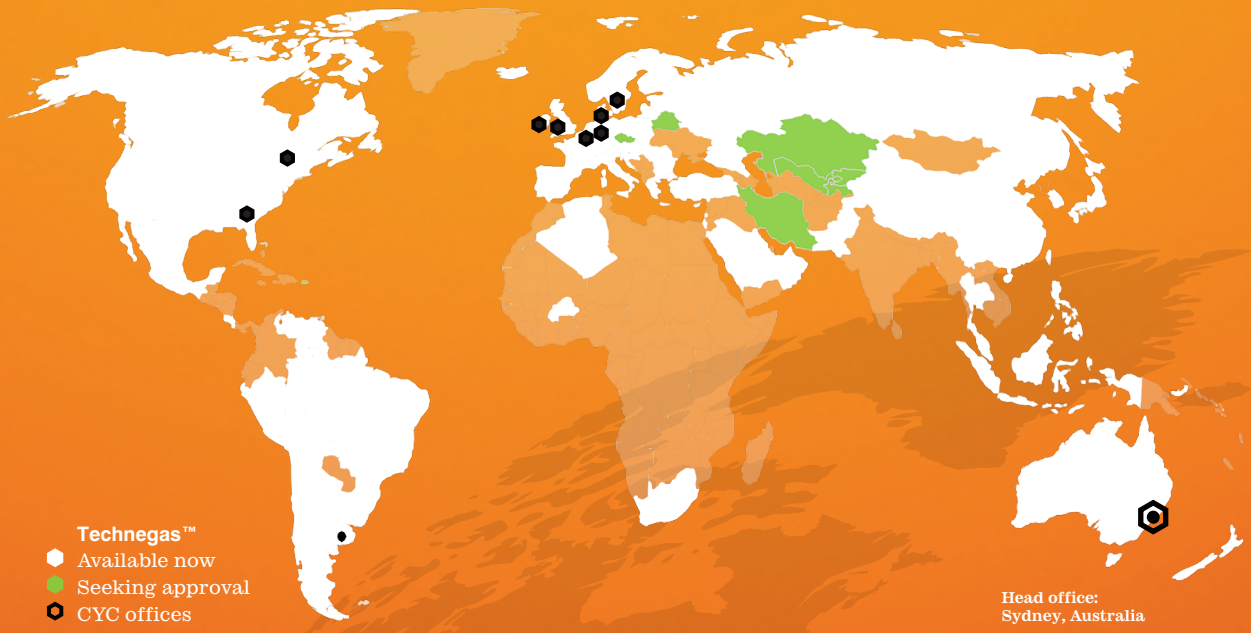
Third-party distribution revenues

$11.91m

up 29.3%

Our Global Footprint

To date Technegas™ has been used in over 4.7 million patient procedures globally and is available in 65 countries



Cyclopharm estimates the global COPD market is approximately 30 times the size of the pulmonary embolism market and over 500 million patients suffering with COPD and Asthma could benefit from the use of Technegas™ and drive shareholder value over the medium term.

Cyclopharm continued to accelerate opportunities to develop our Beyond PE strategy with clinical trials designed to expand the use of Technegas™ into the treatment and management of additional and exponentially larger indications, such as COPD, Asthma, Lung Cancer and the effects of Long-COVID

Chairman's Letter

26 March 2024

Dear Shareholders,

Achieving approval from the United States Food and Drug Administration (USFDA) for Technegas has been a long-sought after goal for Cyclopharm. On 29 September 2023, we delivered on that objective. Access to the US market, the single largest market for Technegas™ globally, is expected to significantly grow sales of Technegas™ in coming years and provide another solid platform to launch our Beyond PE growth initiatives.

Whilst focusing on USFDA approval, your company in parallel, delivered another solid financial performance in 2023 driven again by strong sales of our core Technegas products and a significant contribution from our third-party distribution business. The overall result being another year of record sales revenues. We continued to make significant progress in executing our growth objectives, highlighted by USFDA approval to sell Technegas™ in the US market.

In 2023, Cyclopharm continued to demonstrate the strength of our business and the financial benefits derived from revenue diversification, while enhancing shareholder value by advancing our 'Beyond PE' growth initiatives. 'Beyond PE' aims to extend the use of Technegas™ into new and exponentially larger applications beyond its traditional Pulmonary Embolism (PE) market.

Cyclopharm's core Technegas™ products used in functional lung imaging, primarily for the detection of pulmonary embolism, are now available in 65 countries, with seven of our offices directly servicing 17 out of those countries. Cyclopharm will continue to leverage this expanding global footprint, regulatory expertise and direct marketing capabilities to grow global Technegas™ sales and to continue the rapid expansion of our successful third-party distribution partnerships business.

We continue to invest in clinical trials which support our Beyond PE strategy, by researching expanded uses of Technegas™ into the treatment and management of indications significantly larger than PE, such as COPD, Asthma and Long-COVID. Notably, the global COPD market is approximately 30 times the size of the PE market. The Company's entry into the US market is expected to accelerate this Beyond PE strategy.

Cyclopharm's third-party distribution business delivered significant growth in 2023, leveraging our regulatory expertise and operational footprint to secure additional distribution agreements across the regions in which we currently operate, particularly Europe and the Asia-Pacific. This business distributes a mix of radiopharmaceuticals products and capital equipment with associated consumable and service revenue. Importantly, third-party distribution contracts support the Company's growth strategy by generating additional revenue streams to complement our established and growing Technegas business, and is emerging as an important pillar of our business.

In 2023, the third-party distribution business contributed a substantial $11.91 million in revenue made up of $4.37 million from capital works projects and $7.54 million from consumable sales and services, up from $9.22 million in revenue for the prior year.

The Company's strong balance sheet and cash balance at year-end of $11.73 million supports the initial launch of Technegas in the US market.

Cyclopharm has never been better placed to extend its market leadership in lung imaging and drive ongoing growth in revenue and earnings across new markets and new indications.

In line with good corporate governance practice, Cyclopharm's Board continually evaluates its skills and composition to ensure they appropriately support the Company's growth and governance requirements. On 19 February 2024, Cyclopharm announced that Mr John Wigglesworth was appointed as a Non-Executive Director to fill a casual vacancy on the board. Mr Wigglesworth is a Chartered Accountant and Company Director with 37 years professional experience, including 24 years as a Partner at KPMG. As Cyclopharm enters its next phase of substantial growth, Mr Wigglesworth's experience will be a valuable asset to the company.

Cyclopharm's focus on its strategic pillars also allowed the Company to grow and build a talented team, specifically in the US, to prepare for the rapid roll out of Technegas™ following the USFDA approval in September 2023. To support this step change in the business' financial and operational performance Cyclopharm recently announced the appointment of Mr Jason Smith as Chief Financial Officer (CFO), effective 26 February 2024. Mr Smith brings a wealth of industry experience in Financial Control and Accounting, both at Cochlear and at a large multinational in the United Kingdom. He is CA qualified, gained through his time working as an external auditor at Deloitte.

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

In 2024, we expect to build on the record revenue performance achieved in 2023 through robust sales of Technegas™; continuing growth in third-party distribution sales and the improved utilisation of the Company's sales and service infrastructure globally.

In addition, Cyclopharm is committed to delivering positive health outcomes for our patients and growing financial rewards to our shareholders.

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

David Heaney
Chairman

Managing Director's Review

Key features of Cyclopharm's financial results for the 2023 year include:

Record group total revenue
$32.21m
up 29.0%

Record group sales revenue
$26.34m
up 15.1%

Technegas™ related sales
$14.43m
up 5.6%

Third-party distribution revenues
$11.91m
up 29.3%

Balance Sheet
$11.73m
net cash to fund USA launch

Litigation proceeds of
$1.28m
received

$3.16m
Reversal of impairment to the Cyclotron facility

Beyond PE
Continued progress in developing new, 'Beyond PE' clinical applications providing significant, long term growth opportunities for Technegas™ with clinical trial results published.

Dividends
Total unfranked dividends for 2023 of 0.5 cents per share. No final dividend declared.

Dear Shareholders,

Cyclopharm delivered another solid financial and operational performance in 2023 and the start of our market expansion of Technegas™ following USFDA approval on 29 September 2023. Access to the US market, the single largest market for Technegas™ globally, is expected to significantly grow sales of Technegas™ in coming years.

The company continued to invest in further R&D and support of clinicians to expand the use of Technegas™ in new diagnostic applications as part of our 'Beyond PE' growth strategy. As outputs to this initiative, two clinical trial results were published in 2023.

The first publication by McMaster University[1] located in Canada, used Technegas™ in surgical planning for lung cancer patients. The second publication by Australia's Hunter Medical Research Institute (HMRI)[2] found that imaging with Technegas™ is a predictive indicator or 'Treatable Trait' for response to therapy in patients with severe asthma.

In addition to the R&D work being conducted in existing markets, entry to the US market is also expected to accelerate 'Beyond PE' use globally.

1. Comparison of ventilation defects quantified by Technegas SPECT and hyperpolarized 129Xe MRI; Radadia et al, Frontiers in Physiology; 2023 Apr 28; doi: 10.3389/fphys.2023.1133334
2. Ventilation Heterogeneity Is a Treatable Trait in Severe Asthma, Gibson et al, The Journal of Allergy and Clinical Immunology Dec 2023; DOI:https://doi.org/10.1016/j.jaip.2023.12.030

Financial performance

Cyclopharm continued to generate record Group revenue of $32.21 million up 29.0% from the previous year. Revenues from direct sales in 2023 of $26.34 million, were up 15.1% from $22.88 million in the prior year.

Sales of our proprietary Technegas™ Systems and PAS consumables, used in functional lung imaging primarily for the detection of pulmonary embolism, performed well in 2023 with revenue from the Systems and consumables exceeding FY2023 revenues by 5.6% to $14.43 million.

Sales revenue from third-party distribution sales continued to grow strongly, up $2.70 million to $11.91 million, a rise of 29.3%. This revenue, whilst at lower margin than sales of our proprietary Technegas™ products, is expected to continue to complement revenues in existing markets. Third-party distribution consists of a mix of radiopharmaceuticals, capital equipment and associated consumables. Cyclopharm expects to continue to expand this revenue stream through a wider range of third-party partnerships to a broader geographic reach in the coming year and beyond.

Cyclopharm recorded a loss after tax of $4.70 million in 2023, compared to $6.61 million in 2022. This figure was assisted by $3.16 million reversal of impairment to the Cyclotron facility in recognition of the financial contributions derived from Cyclotek NSW Pty Ltd. The results included $3.49 million of expenses associated with the USFDA approval process in 2023. In total, $23.41 million has been expensed on the current USFDA approval process over the past 15 years, which reflects the Board's confidence in the anticipated returns from Technegas™ sales in the USA market now that approval has been granted. The net loss before tax of approximately $4.19 million in 2023, down 30.5% from $6.03 million in 2022. This result includes $1.28 million of recovered litigation costs from ongoing strategies to actively protect Cyclopharm's commercial interests in Europe and Australia.

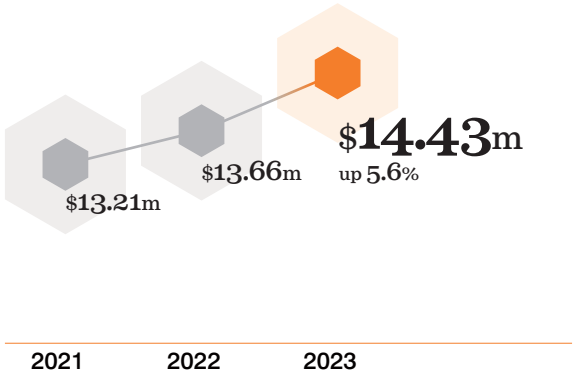
Staffing costs have also increased over the period by $2.61 million predominantly driven by the increasing costs of global regulatory compliance and preparations for the Company's rapid roll out of Technegas™ in the US market following USFDA approval.

The results were assisted by a decrease in distribution costs. Distribution costs of $1.07 million were recorded in 2023, down from $2.39 million in 2022. This decrease resulted from the easing in inflationary pressures of distribution and logistics costs globally as worldwide supply chains continue to moderate.

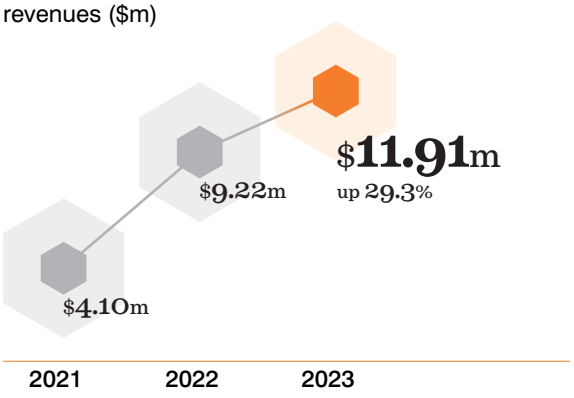
Cyclopharm ended the financial year with a healthy balance sheet and a cash balance of approximately $11.73 million, reflecting prudent expense and capital management supported by ongoing operational cashflows. This cash balance allows the Company to launch its rollout of Technegas™ in the US, continue its R&D activities and support the working capital needs of the business.

R&D tax incentives are ongoing but now in the form of offsets to future taxable income, rather than refunds, as Cyclopharm has exceeded the aggregated turnover threshold. Therefore, there was no Research and Development Tax incentive payment for the 2023 financial year, versus a payment of $1.64 million from the Australian Taxation Office in 2022.

Technegas™ sales ($m)



Third-party distribution revenues ($m)



Operations and strategy deliverables

During the year to 31 December 2023, we continued to successfully execute the Company's growth strategy of leveraging its significant intellectual property, technology and technical expertise to broaden sales and service into new countries and expanding end-use product applications and complementary businesses.

Operating highlights for the 2023 calendar year included:

- Successful USFDA manufacturing facility inspection completed
- USFDA approval to market Technegas™ in the US, received on 29 September.
- First US contract signed with Duke University Hospital in December.
- Advanced preparation for US commercialization of Technegas™, including personnel training and inventory buildup, to facilitate a rapid rollout in 2024.
- Ongoing support for Technegas™ continues to build from frontline US healthcare workers and clinicians based on superior clinical outcomes, operational efficiencies and an unprecedented safety profile.
- Continuation of pilot clinical trials targeting new applications for Technegas™ in chronic respiratory disease states and long-COVID-19, COPD, asthma and lung cancer with clinical trial results published.
- Strong growth of 29.3% in third-party distribution.

Cyclopharm also continues to prioritise employee safety and welfare while executing our growth strategies.

Expanding Technegas™ revenues

Technegas™ sales grew by 5.6% to $14.43 million, matching pre-pandemic levels. Sales of Patient Administration Sets (PAS) represented 70.7% of Technegas™ revenue (73% in FY22). Each box of PAS is equal to 50 patient doses of Technegas™.

PAS sales resulted in 161,700 patient procedures in 2023 or 3,234 boxes of PAS. Despite 113 fewer boxes sold in 2023, the result was pleasing given the temporary shortage of global contrast media in 2022 which benefited Technegas™ sales for that year.

In 2023, 58 TechnegasPlus™ Systems (Systems) were sold compared to 76 in the prior year. The previous year's sales were assisted by a boost in COVID related TechnegasPlus™ System.

Sales of Systems and other service revenue represented 29.3% of Technegas™ total revenue, up from 26.5% in 2022. The increase was primarily a result of the pricing increase in Systems combined with the execution of the Company's direct market expansion.

Accelerated US rollout

Cyclopharm received USFDA approval to commence commercial sales of Technegas™ in the US market on 29 September 2023. The approval provides Cyclopharm access to the single largest market for Technegas™ globally, and one which the company estimates to be initially worth approximately US$180 million annually for the diagnosis and management of Pulmonary Embolism (PE).

In preparation for the USFDA approval, Cyclopharm established a rapid rollout plan for Technegas™ into a market estimated to represent 2,000 facilities. The company invested in building up inventory levels and had the necessary parts to launch with 200 systems ready to deploy. The USFDA approval covers the complete Technegas™ product line, including its manufacture in and distribution from Australia.

Prior to USFDA approval, there was significant pre-existing demand for Technegas™ in the US healthcare market with US clinicians and their representative bodies having lobbied heavily for access to Technegas™. Cyclopharm had logged over 420 individual expressions of interest pre-approval and the company in prioritising this strong demand for Technegas™ in US medical facilities in the following order:

1. US Clinical trial sites involved in Technegas'™ New Drug Application (NDA), such as Duke University Hospital, Cyclopharm's first signed contract in the US for Technegas™
2. Key Opinion Leaders involved in the NDA process
3. Advocates that have supported Technegas™ during the NDA process
4. Large Government and Large Private Health Care Groups
5. Large University affiliated teaching hospitals

Since USFDA approval in September, Cyclopharm has specifically engaged with over 80 individual clinical sites and buying groups aligned to over 280 individual locations. This internal process is generally first driven by strong clinical support from the nuclear medicine department, followed by several interdepartmental reviews conducted which includes an analysis of commercial terms. Administrative approval and contract execution then progresses to installation and training. Our first US Technegas™ installation and sales to Yale University was recorded in February 2024.

Installations of the first wave of Technegas™ Systems for the US will continue through H1 2024, with plans for completion, shipment and installation of 200 Systems by the end of 2024. Under the US sales model, based on anticipated high volumes, Cyclopharm will provide and install Technegas™ Systems to nuclear medicine departments to increase adoption and use of the single patient consumables which generate recurring annuity-style revenue. Already in place are agreements for third-party distribution, System service, installation, and administrative support for Technegas™ in the US.

Maximising the US Opportunity

To rapidly penetrate the US market, Cyclopharm will use its experience from the successful introduction of Technegas™ in the 64 existing country markets globally including its largest country market, Canada. In Canada, the company has displaced the same competitive products currently being used in the US to a level where almost all of Canada's nuclear medicine ventilation procedures are imaged using Technegas™.

In the US, there are approximately 4 million procedures conducted annually to rule out the presence of PE. Of those procedures, 85% are imaged through Computed Tomography Pulmonary Angiography (commonly known as CT or CTPA). The remaining 15% of the market (or 600,000 procedures) which utilise nuclear medicine rather than CT to diagnose PE, comprises patients with contraindications including those who are pregnant, have renal impairment, allergies to CT contrast media, or radiation concerns.

Cyclopharm is initially targeting the existing 600,000 nuclear medicine imaging procedures for PE, a market which it estimates to be approximately US$90 million per annum. Based on Cyclopharm's experience in the Canadian market and globally, the company reiterates expectations it can achieve a 50% share of this existing market over the next 2 to 3 years, rising to more than 80% share over a 3 to 5-year period.

The second stage involves increasing the total US PE diagnostic market that is imaged through nuclear medicine from 15% to 30%. This target raises the total potential PE market for Technegas™ in the US to US$180 million annually, Cyclopharm's confidence the US market can be expanded to US$180 million is based on the company's extensive and successful global track record, the unique properties of Technegas™ including its ability to enhance 3-D imaging technology and create superior clinical outcomes to CTPA.

Underpinning the opportunity is the key fact that US reimbursement codes are based on established nuclear medicine procedures. Technegas™ can therefore be immediately utilised under existing bundled procedural codes.

Beyond PE – substantially expanding the use of Technegas™

In 2023, Cyclopharm continued to accelerate opportunities to develop our Beyond PE strategy with clinical trials designed to expand the use of Technegas™ into the treatment and management of additional and exponentially larger indications, such as COPD, Asthma and Long-COVID.

As outputs of these initiatives, two clinical trial results were published in 2023. The first publication was by McMaster University in the use of Technegas™ as part of the surgical planning for lung cancer patients. McMaster University, located in Hamilton Canada published a paper entitled "*Comparison of ventilation defects quantified by Technegas SPECT and hyperpolarized ^{129}Xe MRI*"[1]. The publication assessed lung cancer patients undergoing lung resection surgery. The results of the study underscored the clinical utility of Technegas™ in assessing more broadly ventilation abnormalities in pulmonary obstructive disease.

The second publication by the Hunter Medical Research Institute (HMRI), a research institute affiliated with the University of Newcastle in Australia, found Technegas™ to be a predictive indicator or 'Treatable Trait' for drug response in patients with severe asthma. The HMRI publication entitled "*Ventilation Heterogeneity Is a Treatable Trait in Severe Asthma*"[2] found that Technegas™ provides an "*objective measure of response to biologic therapy in severe asthma and as a relevant treatable trait*". In other words, Technegas™, may be used to predict how well a patient will respond to therapy. This outcome has significant health economic potential particularly in the use of expensive biological therapies.

The US represents the largest individual market in the world for diagnostic lung ventilation imaging. This wide indication supports future use across a wide range of other respiratory disease states to include Chronic Obstructive Pulmonary Disease (COPD), Asthma, Long-COVID and lung cancer.

As an indication of the larger Beyond PE markets in the US, Cyclopharm estimates the global COPD market to be approximately 30 times the size of the PE market. Clinical studies have supported the potential for over 500 million patients globally suffering with COPD and a similar number with Asthma, benefiting from the use of Technegas™ in diagnosis and ongoing patient monitoring and management. These respiratory disease states represent significant opportunities to expand sales of Technegas™, drive shareholder value over the medium term and ultimately improve patient outcomes.

Cyclopharm is confident that the extension of Technegas™ into these new applications in the US will drive substantive opportunities globally 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[3] and the updated 2019 European Association of Nuclear Medicine Guidelines[4]. Both guidelines also reinforce the superior use of Technegas™ particularly in patients with COPD and the potential for nuclear medicine imaging.

1. Comparison of ventilation defects quantified by Technegas SPECT and hyperpolarized 129Xe MRI; Radadia et al, Frontiers in Physiology; 2023 Apr 28; doi: 10.3389/fphys.2023.1133334
2. Ventilation Heterogeneity Is a Treatable Trait in Severe Asthma, Gibson et al, The Journal of Allergy and Clinical Immunology Dec 2023; DOI:https://doi.org/10.1016/j.jaip.2023.12.030
3. Leblanc et. Al. CANM Guidelines for Ventilation/Perfusion (V/P SPECT) In Pulmonary Embolism. November 2018.
4. 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.

Other businesses

Third-party distribution

The Technegas™ division benefited significantly from the robust increase in third-party distribution revenues to $11.91 million. Third-party revenue was driven by a strong contribution from Australia/NZ and a sound performance in Europe.

Cyclopharm leveraged its regulatory expertise and operational footprint through the establishment, in 2020, of a third-party distribution business that continues to deliver exceptional growth. The Company entered into third-party distribution agreements for Europe in 2020, followed by agreements in the Asia Pacific region in 2021. In 2023, the third-party distribution revenues expanded by 29.3% to $11.91 million, still a significant rise despite more than doubling in 2022 at solid, albeit lower, margins than Cyclopharm's proprietary Technegas™ products.

These complementary third-party revenue streams have supported Cyclopharm's overall revenue performance since 2020, particularly through the years when the COVID pandemic had its most profound impact on our Technegas™ business. The continued and substantial growth of the Company's third-party distribution business in 2023 demonstrates that it is delivering a material contribution to the overall business.

Third-party revenue is a combination of capital works projects and ongoing sales from consumables and related service support. Of the total $11.91 million third-party revenues generated in 2023, capital works projects equalled $4.37 million with the ongoing revenues associated with recurring consumable sales and service equating to $7.54 million.

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

Cyclotek NSW Pty Ltd

During the year, Cyclotek NSW Pty Ltd (Cyclotek NSW) made a $0.80 million positive contribution to the Group's results. Cyclotek NSW is a collaboration between Cyclopharm, Cyclotek (Aust) Pty Ltd and the Australian Nuclear Science and Technical Organisation (ANSTO') set up in part to realise the inherent value of Cyclopharm's legacy Cyclotron assets both to generate profits and contribute to enhanced health outcomes for the Australian community.

Cyclotek NSW was formed as a business venture collaboration in late 2019. Under the venture, Cyclopharm is required to make available access to the cyclotron facility and to a contribute $40k per annum, over a period of 9 years, to fund the ongoing research activities of Cyclotek NSW. In exchange for the use of the cyclotron facility and research contribution, Cyclopharm receives a share of profits from the venture and international commercialisation rights to intellectual property developed from the collaboration. In recognition of the increasing annual financial distributions received from Cyclotek NSW, Cyclopharm booked a $3.16 million partial reversal of impairment to the Cyclotron assets in 2023.

Litigation Progress

In August 2023, Cyclopharm advised that it had reached a settlement with two of the parties involved in legal proceedings initiated by Cyclopharm in Australia, which resulted in the Company receiving a cash settlement and asset purchase equalling a net receipt of $0.70 million.

This settlement follows the receipt of $0.58 million from the favourable judgment handed down in Germany against Mr Bjorn Altmann and Almedis Altmann GmbH in December 2022, and is a partial settlement of the Company's ongoing legal action in Australia.

Cyclopharm is continuing to vigorously protect its intellectual property by pursuing its ongoing legal action against the remaining Australian and German defendants. During 2024, the Company expects to return to the NSW Supreme Court and proceedings in Germany to progress Cyclopharm's claims. The Board remains confident of a favourable outcome to these legal proceedings.

Corporate Governance

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

On 19 February 2024, Cyclopharm announced that Mr John Wigglesworth was appointed as a Non-Executive Director to fill a casual vacancy on the board. Mr Wigglesworth is a Chartered Accountant and Company Director with 37 years professional experience, including 24 years as a Partner at KPMG.

As Cyclopharm enters its next phase of substantial growth, Mr Wigglesworth's experience will be a valuable asset to the company.

Leadership Team

Cyclopharm's focus on its strategic pillars allowed the Company to grow and build a talented team, specifically in the US, to prepare for the rapid roll out of Technegas™ following the USFDA approval in September this year. This meant that the Company has hit the ground running in the US market, which will create both a step change in the business' financial and operational performance as well as mark a new phase in the growth of the business.

On 12 February 2024 Cyclopharm announced the appointment of Mr Jason Smith as Chief Financial Officer (CFO), effective 26 February 2024.

Mr Smith brings a wealth of industry experience in Financial Control and Accounting, both at Cochlear and at a large multinational in the United Kingdom. He is CA qualified, gained through his time working as an external auditor at Deloitte.

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

Summary and outlook

In 2023 Cyclopharm has again demonstrated the strength and resilience of the business by delivering another record revenue performance. We have initiated sales process of our proprietary Technegas™ technology into the US market, which we expect to drive an exponential change in the growth of our core business. In addition, we continue to grow third party sales and cumulatively we are delivering on our strategy of revenue diversification across the group.

Cyclopharm's ability to initiate sales of Technegas™ in the US is the result of the persistence and hard work of our highly skilled global team along with the unwavering support of our Board and shareholders through the process to secured USFDA approval. Importantly, USFDA approval has also established a platform for maximising the breadth of clinical use of Technegas™ across a wide range of respiratory applications going forward.

While USFDA approval for Technegas™ is a major milestone for Cyclopharm, our ability to now make this technology available to US clinicians and to the patients they serve, is where the key significance lies. Our preparation for a rapid entry into the US market, based on our global experience, consisted of building our inventory along with US service and training capabilities. The existing and substantial clinical demand does not require a large sales force to promote a product that has been long sought after clinically in the US market. We look forward to providing you with regular updates on the US rollout of Technegas™ as we proceed with this exciting new phase for the company.

The Company's strong balance sheet and cash balance at year-end of $11.73 million means we are sufficiently funded to launch the initial rollout of Technegas™ in the US market as well as our growth aspirations in the rest of the countries in which we operate.

We are also continuing to accelerate opportunities, via clinical trials, to develop our Beyond PE strategy, designed to expand the use of Technegas™ into the treatment and management of additional and exponentially larger indications, such as COPD, Asthma and Long-COVID.

Additional clinical papers are expected to be published in 2024 focusing on obstructive pulmonary disease. Cyclopharm estimates there are over 500 million patients suffering collectively with COPD and/or Asthma who may benefit from the use of Technegas™. Notably, the global COPD market is approximately 30 times the size of the PE market. The Company's entry into the US market, the largest medical market in the world, is also expected to accelerate this Beyond PE strategy.

Cyclopharm has never been better placed to extend its market leadership in lung imaging and drive ongoing growth in revenue and earnings. Following USFDA approval, the Company is entering its next growth phase from a position of strength, having delivered record 2023 sales revenues, robust sales of Technegas™ and continuing strong growth in third party sales.

The Company has already commenced sales in the USA and we expect that to continue at pace in 2024. The US market will be a major catalyst for our growth aspirations, alongside our well established existing operations in 64 additional countries.

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

James McBrayer
Managing Director

Directors' Report

The Directors of Cyclopharm submit their report for the year ended 31 December 2023.

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 was re-appointed as acting Chairman of the Audit and Risk Committee effective 1 December 2021 until 18 February 2024.

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

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

Mr J S McBrayer

Managing Director and Company Secretary
BSPharm, GDM, FAICD, AIM

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

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

Ms D M Angus

Non-Executive Director (Independent)
B.Sc (Hons), M.(Biotechnology)

Ms Angus was appointed to the Board on 10 August 2021. She is a member of the Audit and Risk Committee, Remuneration Committee and Board Nomination Committee. Ms Angus has extensive executive managerial and company director experience in the biotechnology, biopharmaceutical, medical device, agritech and healthcare industries. She has long been involved in path to market asset development and commercialisation in these industries, notably including the clinical validation of therapeutics to create asset valuation uplift. Ms Angus has wide expertise in corporate strategy and innovative product development together with governance and compliance in listed capital markets.

Ms Angus has held directorship roles in a number of ASX and NASDAQ-listed companies and is currently Non-Executive Chair of Argenica Therapeutics (ASX:AGN), Non-Executive Director of Neuren Pharmaceuticals (ASX: NEU), and Imagion Biosystems (ASX: IBX). She is also a council member of Deakin University. Additionally, Ms Angus holds a Master of Biotechnology, Bachelor of Science (Hons), and a Graduate Diploma of Intellectual Property (IP) Law. She is a registered patent attorney and a member of the Australian Institute of Company Directors (AICD).

Mr K M J Barrow

Non-Executive Director (Independent)
M.Sc (Hons), MBA

Mr Barrow was appointed to the Board on 1 September 2022. He is a member of the Audit and Risk Committee, Remuneration Committee and Board Nomination Committee. Mr Barrow holds a Master of Science (with 1st Class Honours) from Waikato University, New Zealand. He obtained an MBA from the Macquarie Graduate School of Management, Sydney, Australia and is a graduate of the Australian Institute of Company Directors and an Adjunct Fellow at Macquarie University. He brings to the Cyclopharm board more than 20 years of experience in the healthcare industry, which includes numerous governance and senior executive roles.

Mr Barrow is currently the Chief Executive Officer of the Sydney North Health Network. The Sydney North Health Network is one of 31 Primary Health Networks established by the Australian Government to increase the efficiency and effectiveness of medical services for the community. He was the Chief Executive Officer of the Butterfly Foundation, Australia's national charity providing clinical services and support to address eating disorders and body image issues. Prior to this role, Mr Barrow was the Managing Director at Philips Australia and New Zealand overseeing all Philips' operations in the region, while also direct General Manager for the Healthcare division, a leader in cardiac care, acute care and home healthcare.

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

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

Professor G G King

Non-Executive Director (Independent)
MB ChB, PhD, FRACP, FAPSR

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

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

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

Mr J W Wigglesworth

Non-Executive Director (Independent) (appointed on 19 February 2024)
BEc (MACQ), FCA, GAICD

Mr Wigglesworth is a Chartered Accountant with 37 years professional experience, including 24 years as a Partner at KPMG both in Australia and internationally. During this time, he held several leadership positions across operations, industry sectors and business development. Mr Wigglesworth has extensive experience working with ASX listed and leading global companies, with specific expertise in external and internal audit, financial reporting, accounting systems and controls, governance and risk management.

Mr Wigglesworth is currently the Non-Executive Director of ASX listed company Atlas Arteria Limited. He is also the Non-Executive Director of The Sydney Children's Hospital Network, Independent Reserve Pty Ltd and Grid Share Holding Group Pty Ltd.

Mr Wigglesworth has been appointed as Chairman of the Audit and Risk Committee and is a member of the Remuneration Committee and Board Nomination Committee effective 19 February 2024.

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	280,000	–
Mr J S McBrayer	BI	5,309,580	–
Ms D M Angus	BI	10,000	–
Mr K M J Barrow	NBI	11,000	–
Professor G G King	BI	–	–
Mr J W Wigglesworth	BI	–	–
		5,610,580	–

BI: Beneficial interests
NBI: Non beneficial interests

Dividends

An interim unfranked dividend of 0.5 cents per share was paid on 11 September 2023 and a final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2022 was paid on 4 April 2023.

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 $4,700,806. Loss after tax from the operations of the Technegas™ division was $8,364,315 while the Molecular Imaging Division contributed profit after tax of $3,663,509.

Technegas™ divisional revenue of $26,339,389 was 15.1% higher than the previous year (2022: $22,878,333) with $11,913,418 (2022: $9,215,071) from distributing third-party products to the diagnostic imaging sector.

Technegas™ division loss before tax of $8,149,516 (2022: $6,410,559) recorded an unfavourable variance of $1,738,957 impacted by $2.61 million increase in employee benefits expense. Employee benefits expense was higher at $11,690,163 (2022: $9,081,003) reflecting ongoing investment in human capital to meet global regulatory requirements which includes compliance with USFDA guidelines. The loss was mitigated by a $1.32 million decrease in distribution costs to $1.07 million with the easing in inflationary pressures of distribution and logistics costs as worldwide supply chains continue to stabilise.

USFDA clinical trial costs totalling $3,490,346 (2022: $2,973,729) also contributed to the Technegas™ division loss before tax.

The Molecular Imaging division's profit after tax comprised of $3.16 million partial reversal of impairment to the cyclotron facility in recognition of the financial distributions received from Cyclotek NSW Pty Ltd which contributed $800,172 to total revenue, up from $340,464 in 2022.

Financial position

Net assets decreased to $32,259,482 at 31 December 2023 (2022: $36,536,610) impacted by the net loss after tax of $4,700,806.

Net cash balance was $11,726,424 at 31 December 2023.

Further details of Cyclopharm's Operating and Financial Review are set out on pages 6 to 13 of the Managing Director's Review.

Significant changes in state of affairs

Shares issued and cancelled during the year

(i) On 23 March 2023, 642,500 Long Term Incentive Plan (LTIP) shares were issued at an exercise price of $1.82 per share and 100,000 LTIP shares were issued at an exercise price of $3.04 per share on 12 September 2023 under the limited non-recourse loan payment plan.

(ii) On 14 April 2023, 100,000 ordinary shares were issued at a deemed price of $2.18 per share as part consideration to acquire 100% of the shares in Dupharma ApS. These shares are subject to voluntary escrow until 31 March 2025 and have no dividend or voting rights until 1 April 2025.

(iii) On 30 November 2023, 200,000 options issued at nil exercise price were converted in accordance with the terms and conditions approved by the Company's shareholders on 21 May 2019.

There were no other shares issued and cancelled during the year.

Options issued and cancelled during the year

On 30 November 2023, 200,000 Options issued at nil exercise price were converted in accordance with the terms and conditions approved by the Company's shareholders on 21 May 2019. After the conversion, there were no Options (2022: 200,000) on issue as at 31 December 2023.

No options were issued or cancelled during the year.

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

Significant events after balance date

No matters or circumstances have arisen since the end of the financial year, not otherwise disclosed in the financial report, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial periods.

Likely developments and future results

Technegas™

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

USFDA approval to sell Technegas™ into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability. In preparation for a rapid entry into the US market the Company has been building inventory along with US sales and service capabilities and infrastructure. The USA presents Cyclopharm with an initial transformational market opportunity for the diagnosis of pulmonary embolism estimated at US$180 million annually.

Ultralute™

Cyclopharm is currently progressing the registration of Ultralute™ in Europe as a medical device to support better acceptance of this new first in class technology. Changes to Medical Device Regulations in the European Union (EU) required recertification of existing medical devices against more onerous standards. This process has dramatically slowed the introduction of new products into the EU with the result that the registration of Ultralute™ in Europe was not completed in 2023, and consequently there were no revenues from the sale of Ultralute™.

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

Third-party distribution

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

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

Material business risks

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

Regulatory

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

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

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

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

The Cyclopharm Group has obtained:

- a listing on the Australian Register of Therapeutic Goods Register for the Technegas™Plus Technegas™ generator and the Patient Administration Set (radio-aerosol administration set);
- CE Mark approvals under the stringent European Medical Device Regulations for Technegas™Plus Technegas™ Generator and Patient Administration Set (PAS) of the Technegas™ System;
- a Marketing Authorisation for Pulmotec™, the carbon crucible which is the drug (medicine) component of Technegas™ in Europe;
- a Medical Device Single Assessment Program (MDSAP) certificate that is observed primarily by Australia, Brazil, Canada, Japan and the USA;
- 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; and
- USFDA New Drug Approval of Technegas™ (kit for the preparation of technetium Tc 99m labeled carbon inhalation aerosol) for oral inhalation use and USFDA 510K approval of the Patient Administration Set (PAS).

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.

Cyclopet Pty Limited, which is involved in the operations of the cyclotron, is subject to 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. These products could replace Technegas™ and therefore negatively impact Cyclopharm Group's revenue and profitability. The Directors note that the lengthy periods it takes to achieve regulatory approval and gain medical practitioners' approval and acceptance of new or generic products, Cyclopharm Group's reputation for timely and quality service, the safety record of Technegas™ and its competitive pricing, mitigate these risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

Patents

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

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

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

Environmental regulations

Cyclopet Pty Limited, a member of the consolidated group's operations is subject to 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 and its Business Venture Collaboration Agreement with Cyclotek NSW Pty Ltd.

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 2023 is $40,000 (for the year ended 31 December 2022: $35,076).

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 31.

Fees of $19,277 (2022: $26,909) for taxation services to an associate of Nexia Sydney Audit Pty Ltd for the year ended 31 December 2023 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 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 2023

	Short-term employee benefits			Post employment benefits	Other long-term benefits	Share-based payment	Total	Perform-ance related
Consolidated	Salary and Fees $	Cash Bonus $	Non-monetary benefits $	Super-annuation $	$	$	$	%
Directors								
David Heaney Non-Executive Director	76,636	–	–	8,430	–	–	85,066	0%
Dianne Angus Non-Executive Director	54,740	–	–	6,021	–	–	60,761	0%
Kevin Barrow Non-Executive Director	54,740	–	–	6,021	–	–	60,761	0%
Professor Greg King Non-Executive Director	54,740	–	–	6,021	–	–	60,761	0%
John Wigglesworth* Non-Executive Director	–	–	–	–	–	–	–	0%
Executive Director								
James McBrayer** Managing Director	470,631	80,000	–	56,648	16,760	269,423	893,462	39%
Total Directors' Compensation	**711,487**	**80,000**	**–**	**83,141**	**16,760**	**269,423**	**1,160,811**	**30%**
Key Management Personnel								
Mathew Farag Chief Operating Officer	360,435	–	–	39,648	32,596	51,653	484,332	11%
Total Key Management Personnel's Compensation	**360,435**	**–**	**–**	**39,648**	**32,596**	**51,653**	**484,332**	**11%**
Total Compensation	**1,071,922**	**80,000**	**–**	**122,789**	**49,356**	**321,076**	**1,645,143**	**24%**

* Mr Wigglesworth was appointed to the Board on 19 February 2024.

** Mr McBrayer is employed on a rolling contract. He may be entitled to receive additional amounts up to a maximum of 20% of base remuneration based on the Company's performance and achieving certain Key Performance Indicator thresholds.

Director and Executive Remuneration 2022

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

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

Details of Managing Director and Key Management Personnel's Share-based payments 2023

Name	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable – limited non-recourse loan	Term	Expiry date	Performance Hurdle
Mathew Farag	15,002	$1.012	$3.200	$48,006	*3.36 years	30/6/2024	Continuous employment with the Cyclopharm Group until 31 December 2023
Other non-Key Management Personnel	50,000	$1.012	$3.200	$160,000	*3.36 years	30/6/2024	50% year on year increase in third party revenue at minimum of 20% gross margin for 2021, 2022 & 2023
Other non-Key Management Personnel	50,000	$1.012	$3.200	$160,000	*3.36 years	30/6/2024	50% year on year increase in third party service revenue for 2021, 2022 & 2023
Other non-Key Management Personnel	149,060	$1.012	$3.200	$476,992	*3.36 years	30/6/2024	Continuous employment with the Cyclopharm Group until 31 December 2023
Other non-Key Management Personnel	3,000	$1.447	$3.200	$9,600	6.00 years	18/2/2027	Continuous employment with the Cyclopharm Group until 31 December 2026
Mathew Farag	200,000	$0.419	$1.820	$364,000	3.00 years	22/3/2026	Continuous employment with the Cyclopharm Group until February 2026
Other non-Key Management Personnel	442,500	$0.419	$1.820	$805,350	3.00 years	22/3/2026	Continuous employment with the Cyclopharm Group until February 2026
Other non-Key Management Personnel	100,000	$0.594	$1.820	$182,000	2.00 years	10/9/2025	Continuous employment with the Cyclopharm Group until 31 August 2025
	1,009,562			**$2,205,948**			

* Extended to 30 June 2024.

Vested but unexercised during the year

Name	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable – limited non-recourse loan	Term	Expiry date
James McBrayer	1,721,554	$0.235	$0.900	$1,549,399	*8.81 years	30/6/2024
James McBrayer	269,614	$1.065	$0.000	$0	*4.56 years	30/6/2024
James McBrayer	257,750	$1.410	$0.000	$0	*3.94 years	30/6/2024
James McBrayer	500,000	$0.515	$1.830	$915,000	*3.94 years	30/6/2024
Mathew Farag	225,000	$0.349	$0.900	$202,500	7.76 years	18/4/2025
Mathew Farag	250,000	$0.289	$1.550	$387,500	*6.00 years	30/6/2024
Mathew Farag	250,000	$0.289	$1.550	$387,500	*6.00 years	30/6/2024
Mathew Farag	500,000	$0.443	$1.220	$610,000	*4.16 years	30/6/2024
Other non-Key Management Personnel	6,886	$0.235	$0.900	$6,197	*8.81 years	30/6/2024
Other non-Key Management Personnel	5,000	$0.270	$1.200	$6,000	*7.94 years	30/6/2024
Other non-Key Management Personnel	90,000	$0.443	$1.220	$109,800	*4.16 years	30/6/2024
Other non-Key Management Personnel	100,000	$0.443	$1.220	$122,000	*4.16 years	30/6/2024
	4,175,804			**$4,295,896**		

* Extended to 30 June 2024.

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

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

* Extended to 31 May 2023.

Vested but unexercised during the year

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

* Extended to 31 May 2023.

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 2022 No. of shares	Granted under long term incentive schemes No. of shares	Conversion of options No. of shares	On market purchases No. of shares	31 December 2023 No. of shares
Directors						
Mr D J Heaney	BI	270,000	–	–	10,000	280,000
Mr J S McBrayer	BI	5,109,580	–	200,000	–	5,309,580
Ms D M Angus	BI	10,000	–	–	–	10,000
Mr K M J Barrow	NBI	10,000	–	–	1,000	11,000
Professor G G King	BI	–	–	–	–	–
Mr J W Wigglesworth	BI	–	–	–	–	–
		5,399,580	–	200,000	11,000	5,610,580
Key Management Personnel						
Mr M Farag	BI	1,276,002	200,000	–	2,000	1,478,002

BI: Beneficial interest
NBI: Non beneficial interests

As at 31 December 2023, Mr McBrayer does not hold any share options (2022: 200,000).

Remuneration Committee

During the current financial year, the Remuneration Committee comprised of Mr Heaney, who is the Chairman of the Remuneration Committee, Ms Angus and Mr Barrow.

The Remuneration Committee is responsible for:

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

Remuneration philosophy

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

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

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

Remuneration structure

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

Non-executive Director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held in May 2023 when Shareholders approved an aggregate remuneration increase from $350,000 to $450,000 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 2023 and 2022 is disclosed in the tables on pages 24 and 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 non-recourse loans under the Company's LTIP to purchase shares.
- On 13 July 2015, a strictly limited non-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 by 30 June 2024.
- 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. The 257,750 ordinary shares can be freely traded on and from the date of issue. A strictly limited non-recourse loan was made to Mr McBrayer to purchase 500,000 shares at the price of $1.83 per share while 257,750 LTIP shares are held in a holding lock until the loan on the 1,721,554 shares issued on 13 July 2015 is repaid in full by 30 June 2024.

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 6 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 Meetings		Board Nomination Committee Meetings		Remuneration Committee Meetings	
Director	Number of Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr D J Heaney	8	8	3	3	1	1	6	6
Mr J S McBrayer	8	8	–	–	1	–	–	–
Ms D M Angus	8	8	3	3	1	1	6	6
Mr K M J Barrow	8	8	3	3	1	1	6	6
Professor G G King	8	8	–	–	–	–	–	–
Mr J W Wigglesworth*	–	–	–	–	–	–	–	–

* Mr Wigglesworth was appointed to the Board on 19 February 2024.

Share options

No share options (2022: 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, 26 March 2024

Auditor's Independence Declaration

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To the Board of Directors of Cyclopharm Limited

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

As lead auditor for the audit of the financial statements of Cyclopharm Limited for the financial year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director

Date: 26 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Continuing operations			
Sales revenue	5	26,339,389	22,878,333
Finance revenue	5	489,169	109,733
Other revenue	5	5,376,495	1,976,320
Total revenue		**32,205,053**	**24,964,386**
Cost of materials and manufacturing	5a	(10,255,757)	(7,440,608
Employee benefits expense	5e	(11,690,163)	(9,081,003)
Advertising and promotion expense		(979,765)	(538,338)
Depreciation and amortisation expense	5c	(938,834)	(931,484)
Freight and duty expense		(1,069,613)	(2,385,834)
Research and development expense	5d	(3,689,115)	(3,439,980)
Administration expense	5f	(7,399,820)	(6,681,478)
Other expense	5g	(155,722)	(229,584)
Loss before tax and finance costs		**(3,973,736)**	**(5,763,923)**
Finance costs	5b	(215,992)	(265,923)
Loss before income tax		**(4,189,728)**	**(6,029,846)**
Income tax	6	(511,078)	(581,669)
Loss for the year		**(4,700,806)**	**(6,611,515)**
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)		423,826	(131,589)
Total comprehensive loss for the year		**(4,276,980)**	**(6,743,104)**

	Notes	2023 cents	2022 cents
Loss per share (cents per share)	7		
– Basic loss per share from continuing operations		(5.07)	(7.17)
– Basic loss per share		(5.07)	(7.17)
– Diluted loss per share		(5.07)	(7.17)

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 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents	8	11,726,424	20,296,176
Trade and other receivables	9	7,895,053	7,706,025
Inventories	10	10,122,016	8,292,668
Current tax asset	6	170	4,947
Other assets		452,102	570,519
Total current assets		**30,195,765**	**36,870,335**
Non-current assets			
Inventories	10	33,836	–
Property, plant and equipment	11	5,972,888	3,189,165
Right-of-use assets	12	3,213,315	3,410,439
Investments	13	–	–
Intangible assets	14	5,736,075	5,436,401
Deferred tax assets	6	762,310	635,811
Total non-current assets		**15,718,424**	**12,671,816**
Total assets		**45,914,189**	**49,542,151**
Liabilities			
Current liabilities			
Trade and other payables	15	6,941,912	6,502,920
Lease liabilities	16	214,465	209,992
Provisions	17	1,475,407	1,133,574
Tax liabilities	6	37,095	89,198
Total current liabilities		**8,668,879**	**7,935,684**
Non-current liabilities			
Lease liabilities	16	4,012,832	4,121,592
Provisions	17	71,184	46,453
Deferred income liabilities	18	901,812	901,812
Total non-current liabilities		**4,985,828**	**5,069,857**
Total liabilities		**13,654,707**	**13,005,541**
Net assets		**32,259,482**	**36,536,610**
Equity			
Contributed equity	19	63,781,302	63,420,810
Employee equity benefits reserve	28	3,765,955	3,241,763
Foreign currency translation reserve	28	(629,303)	(1,053,129)
Accumulated losses		(34,658,472)	(29,072,834)
Total equity		**32,259,482**	**36,536,610**

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 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Operating activities			
Receipts from customers		29,168,710	24,289,662
Receipt from business venture collaboration		800,172	340,464
Payments to suppliers and employees		(36,728,860)	(34,557,416)
Interest received		489,169	109,733
Borrowing costs paid		(215,992)	(265,923)
Income tax (paid)/received		(710,831)	3,418,995
Net cash flows used in operating activities	8	**(7,197,632)**	**(6,664,485)**
Investing activities			
Payments for acquisition of subsidiary		(31,796)	–
Cash acquired upon acquisition of subsidiary		61,326	–
Purchase of property, plant and equipment		(236,823)	(1,274,027)
Payments for intangible assets		(301,173)	(274,371)
Net cash flows used in investing activities		**(508,466)**	**(1,548,398)**
Financing activities			
Settlement of loan for Long Term Incentive Plan Shares		142,492	446,370
Dividends paid		(884,832)	(882,592)
Payment for lease liabilities		(276,426)	(289,422)
Net cash flows used in financing activities		**(1,018,766)**	**(725,644)**
Net decrease in cash and cash equivalents		**(8,724,864)**	**(8,938,527)**
Cash and cash equivalents			
– at beginning of the period		**20,296,176**	**29,249,255**
– net foreign exchange differences from translation of cash and cash equivalents		155,112	(14,552)
– at end of the year	8	**11,726,424**	**20,296,176**

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 2023

Consolidated	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings/ (Accumulated Losses) $	Foreign Currency Translation Reserve (Note 28(b)) $	Employee Equity Benefits Reserve (Note 28(a)) $	Total $
Balance at 1 January 2022	**68,307,598**	**(5,333,158)**	**62,974,440**	**(21,578,727)**	**(921,540)**	**2,593,561**	**43,067,734**
Loss for the year	–	–	–	(6,611,515)	–	–	(6,611,515)
Other comprehensive loss	–	–	–	–	(131,589)	–	(131,589)
Total comprehensive loss for the year	**–**	**–**	**–**	**(6,611,515)**	**(131,589)**	**–**	**(6,743,104)**
Payment of loan for Long Term Incentive Plan shares	446,370	–	446,370	–	–	–	446,370
Dividends paid	–	–	–	(882,592)	–	–	(882,592)
Cost of share based payments	–	–	–	–	–	648,202	648,202
Total transactions with owners and other transfers	**446,370**	**–**	**446,370**	**(882,592)**	**–**	**648,202**	**211,980**
Balance at 31 December 2022	**68,753,968**	**(5,333,158)**	**63,420,810**	**(29,072,834)**	**(1,053,129)**	**3,241,763**	**36,536,610**
Balance at 1 January 2023	68,753,968	(5,333,158)	63,420,810	(29,072,834)	(1,053,129)	3,241,763	36,536,610
Loss for the year	–	–	–	(4,700,806)	–	–	(4,700,806)
Other comprehensive income	–	–	–	–	423,826	–	423,826
Total comprehensive loss for the year	**–**	**–**	**–**	**(4,700,806)**	**423,826**	**–**	**(4,276,980)**
Issue of shares	218,000	–	218,000	–	–	–	218,000
Payment of loan for Long Term Incentive Plan shares	142,492	–	142,492	–	–	–	142,492
Dividends paid	–	–	–	(884,832)	–	–	(884,832)
Cost of share based payments	–	–	–	–	–	524,192	524,192
Total transactions with owners and other transfers	**360,492**	**–**	**360,492**	**(884,832)**	**–**	**524,192**	**(148)**
Balance at 31 December 2023	**69,114,460**	**(5,333,158)**	**63,781,302**	**(34,658,472)**	**(629,303)**	**3,765,955**	**32,259,482**

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 2023 was authorised for issue by a resolution of the Directors as at the date of this report.

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

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

2. Summary of Significant Accounting Policies

a) Basis of Preparation

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

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

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

The financial report is presented in Australian dollars.

b) New and amended Accounting Policies adopted by the Group

Consolidated financial statements

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

None of the new or amended Accounting Standards and Interpretations has had a material impact on the Group's financial statements.

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 2023. These new or amended Accounting Standards and Interpretations are not expected to have a material impact on the consolidated entity's financial statements.

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 2023. All subsidiaries have a reporting date of 31 December.

Subsidiaries

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

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

2.
Summary of Significant Accounting Policies (continued)

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

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

e) Foreign currency translation

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

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

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

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

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.

2.
Summary of Significant Accounting Policies (continued)

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 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 areincurred.

Impairment

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

2.
Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.
Summary of Significant Accounting Policies (continued)

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

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

Research and development costs

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

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

k) Inventories

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

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

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

l) Trade and other receivables

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

m) Cash and cash equivalents

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

n) Trade and other payables

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

2.
Summary of Significant Accounting Policies (continued)

o) Interest-bearing loans and borrowings

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

p) Lease liabilities

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

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

q) Provisions

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

r) Employee entitlements

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

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

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

2.
Summary of Significant Accounting Policies (continued)

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.

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).

Government grants relating to assets are deferred and recognised in profit or loss over the period necessary to match them with the assets that they are intended to compensate.

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

2.
Summary of Significant Accounting Policies (continued)

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.

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 comprised of 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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

2.
Summary of Significant Accounting Policies (continued)

In 2023, the Group's Cyclotron facility was operationally restored, and whilst regulatory approval is still pending before its commercial use by Cyclotek NSW Pty Ltd, in recognition of the financial contributions derived from the Collaboration Agreement, the fair value of the Cyclotron was written back from nil to $3,160,301 as at 31 December 2023.

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.

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
Income Tax
The Group's accounting policy for income tax requires management's judgement 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 2023		
Segments	Technegas	Molecular Imaging	Total
	$	$	$
Type of goods or service			
Sales of equipment and consumables – Technegas	13,076,737	–	13,076,737
Sales of equipment and consumables – third-party products	10,571,536	–	10,571,536
After sales services – Technegas	1,349,235	–	1,349,235
After sales services – third-party products	1,341,881	–	1,341,881
Total revenue from contracts with customers	26,339,389	–	26,339,389
Geographical markets			
Asia-Pacific	8,669,613	–	8,669,613
Europe	14,814,185	–	14,814,185
Canada	2,738,218	–	2,738,218
Other	117,373	–	117,373
Total revenue from contracts with customers	**26,339,389**	–	**26,339,389**
Timing of revenue recognition			
Goods transferred at a point in time	25,200,506	–	25,200,506
Services transferred over time	1,138,883	–	1,138,883
Total revenue from contracts with customers	**26,339,389**	–	**26,339,389**

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

The allowance for expected credit losses on receivables at the end of the year was $100,317 (2022: $156,919).

4.
Operating segments

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

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

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

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

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

Business segments

The tables under the heading business segments present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2023 and 31 December 2022.

Geographical segments

The tables under the heading geographical segment present revenue and asset information regarding geographical segments for the years ended 31 December 2023 and 31 December 2022.

Business segments

	Consolidated		
For the year ended 31 December 2023	Technegas	Molecular Imaging	Total
	$	$	$
Revenue			
Sales – Technegas	14,425,971	–	14,425,971
Sales – third-party products	11,913,418	–	11,913,418
Sales to external customers	26,339,389	–	26,339,389
Finance revenue	489,169	–	489,169
Other revenue	1,416,022	3,960,473	5,376,495
Total revenue	**28,244,580**	**3,960,473**	**32,205,053**
Result			
(Loss)/profit before tax and finance costs	**(7,933,884)**	**3,960,148**	**(3,973,736)**
Finance costs	(215,632)	(360)	(215,992)
(Loss)/profit before income tax	**(8,149,516)**	**3,959,788**	**(4,189,728)**
Income tax expense	(214,799)	(296,279)	(511,078)
(Loss)/profit after income tax	**(8,364,315)**	**3,663,509**	**(4,700,806)**
Assets and liabilities			
Segment assets	42,425,382	3,488,807	45,914,189
Segment asset increases for the period:			
– capital expenditure	236,823	–	236,823
Segment liabilities	(13,553,709)	(100,998)	(13,654,707)
Other segment information			
Depreciation and amortisation	(938,834)	–	(938,834)

4.
Operating segments (continued)

Business segments

	Consolidated		
For the year ended 31 December 2022	Technegas	Molecular Imaging	Total
	$	$	$
Revenue			
Sales – Technegas	13,663,262	–	13,663,262
Sales – third-party products	9,215,071	–	9,215,071
Sales to external customers	22,878,333	–	22,878,333
Finance revenue	109,733	–	109,733
Other revenue	1,635,856	340,464	1,976,320
Total revenue	**24,623,922**	**340,464**	**24,964,386**
Result			
(Loss)/profit before tax and finance costs	**(6,145,066)**	**381,143**	**(5,763,923)**
Finance costs	(265,493)	(430)	(265,923)
(Loss)/profit before income tax	**(6,410,559)**	**380,713**	**(6,029,846)**
Income tax expense	(549,484)	(32,185)	(581,669)
(Loss)/profit after income tax	**(6,960,043)**	**348,528**	**(6,611,515)**
Assets and liabilities			
Segment assets	48,524,326	1,017,825	49,542,151
Segment asset increases for the period :			
– capital expenditure	1,274,027	–	1,274,027
Segment liabilities	(12,950,439)	(55,102)	(13,005,541)
Other segment information			
Depreciation and amortisation	(931,484)	–	(931,484)

Geographical segments

	Consolidated				
For the year ended 31 December 2023	Asia-Pacific	Europe	Canada	Other	Total
	$	$	$	$	$
Revenue					
Sales to external customers	8,669,613	14,814,185	2,738,218	117,373	26,339,389
Finance revenue	489,169	–	–	–	489,169
Other revenue	4,802,722	573,773	–	–	5,376,495
Total segment revenue	**13,961,504**	**15,387,958**	**2,738,218**	**117,373**	**32,205,053**
Assets					
Segment assets	33,411,607	10,758,563	1,744,019	–	45,914,189

	Consolidated				
For the year ended 31 December 2022	Asia-Pacific	Europe	Canada	Other	Total
	$	$	$	$	$
Revenue					
Sales to external customers	7,451,101	12,166,950	2,960,306	299,976	22,878,333
Finance revenue	109,733	–	–	–	109,733
Other revenue	1,976,320	–	–	–	1,976,320
Total segment revenue	**9,537,154**	**12,166,950**	**2,960,306**	**299,976**	**24,964,386**
Assets					
Segment assets	38,032,765	10,650,908	858,478	–	49,542,151

5.
Revenues and expenses

	Notes	Consolidated 2023 $	Consolidated 2022 $
Revenue			
Sales revenue		26,339,389	22,878,333
Finance revenue – Interest received from other parties		**489,169**	**109,733**
Other revenue			
Income from business venture collaboration		800,172	340,464
Reversal of impairment		3,160,301	–
Recoveries from litigation		1,279,492	–
Insurance recoveries		136,530	–
R&D tax incentive refund		–	1,635,856
Total other revenue		**5,376,495**	**1,976,320**
(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		**10,255,757**	**7,440,608**
b) Finance costs			
Interest paid on loans from external parties		23,935	67,434
Interest on leased assets (AASB 16)		192,057	198,489
Total finance costs		**215,992**	**265,923**
c) Depreciation and amortisation			
Depreciation of plant and equipment		235,042	234,806
Depreciation of leasehold improvements		280,971	266,704
Depreciation of leased assets (AASB 16)		276,426	289,422
Amortisation of intangibles		146,395	140,552
		938,834	**931,484**
d) Research & development expense			
FDA expenses		3,490,346	2,973,729
Pilot Clinical Trial expenses		49,898	126,818
Research expenses		148,871	339,433
		3,689,115	**3,439,980**
e) Employee benefits expense			
Salaries and wages		9,942,009	7,712,904
Defined contribution superannuation expense		981,441	545,565
Non-Executive Director fees		242,521	174,332
Share-based payments expense	26a	524,192	648,202
		11,690,163	**9,081,003**
f) Administration expense			
Legal and professional costs		3,522,787	3,473,853
Office and facility costs		2,308,942	1,883,668
(Reversal)/provision of doubtful debts		(65,191)	65,422
Travel and motor vehicle costs		1,633,282	1,258,535
		7,399,820	**6,681,478**
g) Other expense			
Realised foreign exchange gains		(8,177)	(63,821)
Unrealised foreign exchange gains		(177,266)	(60,751)
Other		341,165	354,156
		155,722	**229,584**

6. Income tax

	2023 $	2022 $
The components of income tax expense comprise:		
Current income tax expense	(637,577)	(397,074)
Deferred tax benefit/(expense)	126,499	(184,595)
	(511,078)	**(581,669)**

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	**(4,189,728)**	**(6,029,846)**
Statutory income tax rate of 25% (2022: 25%)	1,047,434	1,171,368
Effects of lower rates on overseas income	212,420	225,067
Expenditure not allowable for income tax purposes	(378,033)	(1,378,865)
Non-assessable income	–	409,460
Temporary differences recognised/(reversed) in Australian group	126,499	(184,595)
Tax losses not recognised in Australia	(1,519,398)	(824,104)
Total income tax expense	**(511,078)**	**(581,669)**
Effective income tax rate	12.2%	9.6%
Current income tax asset	**170**	**4,947**
Current income tax liability	**37,095**	**89,198**
Deferred tax relating to capital raising costs, credited directly to equity	–	–
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	(1,198,993)	(1,180,925)
Provisions and accruals	1,542,655	1,384,838
Other	418,648	431,898
Total deferred tax assets	**762,310**	**635,811**
Movements in deferred tax assets		
Opening balance	635,811	820,406
Temporary differences brought to account (reversed)	126,499	(184,595)
Closing balance	**762,310**	**635,811**
Deferred tax assets for which no benefit has been recognised:		
– arising from temporary differences – at 25% (2022: 25%)	74,120	567,136
– arising from revenue tax losses – at 25% (2022: 25%)	1,802,383	1,861,215
– arising from capital tax losses – at 25% (2022: 25%)	19,715	19,715

7.
Net tangible assets and loss per share

Net Tangible Assets per share

	Consolidated	
	2023 $	2022 $
Net assets per share	0.34	0.39
Net tangible assets per share	0.28	0.33

	Number	Number
Number of ordinary shares for net assets per share	94,096,326	93,053,826

	2023 $	2022 $
Net assets	32,259,482	36,536,610
Less: Intangible assets	(5,736,075)	(5,436,401)
Net tangible assets	26,523,407	31,100,209

The number of ordinary shares includes the effects of 642,500 Long Term Incentive Performance (LTIP) shares issued on 23 March 2023 and 100,000 LTIP Shares issued on 12 September 2023 (2022: 408,059 LTIP shares issued on 19 February 2021 and excludes 320,997 lapsed LTIP shares cancelled on 4 October 2022) 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	
	2023 cents	2022 cents
Basic loss per share for continuing operations	(5.07)	(7.17)
Basic loss per share	(5.07)	(7.17)
Diluted loss per share	(5.07)	(7.17)

	Number	Number
Weighted average number of ordinary shares for basic loss per share	92,663,584	92,178,892
Weighted average number of ordinary shares for diluted loss per share	92,663,584	92,178,892

	2023 $	2022 $
Loss used to calculate basic earnings per share	(4,700,806)	(6,611,515)
Loss used to calculate diluted earnings per share	(4,700,806)	(6,611,515)

The weighted average number of ordinary shares for basic loss per share excludes the effects of 267,062 LTIP shares issued on 19 February 2021, 642,500 LTIP shares issued on 23 March 2023 and 100,000 LTIP Shares issued on 12 September 2023 set out in Note 19 as they are contingently returnable.

8.
Cash and cash equivalents

	Consolidated	
	2023 $	2022 $
Cash at bank and in hand	11,726,424	20,296,176
Total cash and cash equivalents	**11,726,424**	**20,296,176**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates and at fixed rates for that portion of cash invested in short-term bank deposit accounts.

The fair value of cash and cash equivalents is $11,726,424 (2022: $20,296,176).

Reconciliation of Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:

	Consolidated	
	2023 $	2022 $
Cash at bank and in hand	11,726,424	20,296,176
	11,726,424	**20,296,176**

a) Reconciliation of net loss after tax to net cash flows from operations

Net loss after tax	**(4,700,806)**	**(6,611,515)**
Adjustments for non-cash income and expense items:		
Depreciation	792,439	790,932
Amortisation	146,395	140,552
Property, plant and equipment written off	97,388	–
Reversal of impairment	(3,160,301)	–
Movement in intangible assets	(291,291)	–
Movement provision for employee benefits	366,564	(80,161)
Movement in foreign exchange	268,714	(117,037)
Movement in employee benefits reserve	524,192	648,202
Movement in other provisions	(65,191)	65,422
	(6,021,897)	**(5,163,605)**
Increase/decrease in assets and liabilities:		
Increase in receivables	(492,556)	(587,987)
Increase in inventories	(1,863,184)	(2,781,293)
Decrease in other receivables	421,945	744,435
Decrease in current tax asset	4,777	53,814
(Increase)/decrease in deferred tax assets	(126,499)	184,595
Increase in creditors	931,885	890,133
Decrease in current tax liabilities	(52,103)	(8,934)
Increase in deferred income liability	–	4,357
Net cash flow used in operating activities	**(7,197,632)**	**(6,664,485)**

b) Non-cash financing and investing activities

All Long Term Incentive Plan (LTIP) shares as set out in Note 25 Share Based Payment Plans are issued by way of loans.

During the year, 850,000 LTIP shares vested (2022: 660,000) and an election was made to extend the exercise period until 30 June 2024, whilst no LTIP shares lapsed and were cancelled (2022: 320,997). Refer to Note 19 Contributed Equity and Note 25 Share Based Payment Plans.

742,500 LTIP shares were issued by way of loans during the year (2022: nil).

9. Trade and other receivables

	Notes	Consolidated 2023 $	Consolidated 2022 $
Current			
Trade receivables, third-parties		5,844,950	5,408,996
Allowance for expected credit loss		(100,317)	(156,919)
Net trade receivables, third-parties	(i)	5,744,633	5,252,077
Other receivables	(ii)	2,150,420	2,453,948
Total current trade and other receivables		**7,895,053**	**7,706,025**
Total trade and other receivables		**7,895,053**	**7,706,025**

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) 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 2023 $	Consolidated 2022 $
Opening balance	156,919	110,415
Additional provisions recognised	(56,602)	46,504
Closing balance	**100,317**	**156,919**

10. Inventories

	Consolidated 2023 $	Consolidated 2022 $
Current		
Raw materials at cost	8,287,237	6,665,536
Finished goods at lower of cost or net realisable value	1,899,508	1,691,331
Provision for obsolescence	(64,729)	(64,199)
Total current inventory	**10,122,016**	**8,292,668**
Non-current		
Finished goods at lower of cost or net realisable value	33,836	–
Total non-current inventory	**33,836**	–
Total inventory	**10,155,852**	**8,292,668**

11.
Property, plant and equipment

Year ended 31 December 2023

Consolidated	Leasehold Land and Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Capital Work in Progress	Total
	$	$	$	$	$	$
1 January 2023 at written down value	260,242	1,743,985	1,087,550	–	97,388	3,189,165
Additions/transfers	62,116	8,681	166,026	–	–	236,823
Written off	–	–	–	–	(97,388)	(97,388)
Reversal of impairment	834,553	1,188,494	1,137,254	–	–	3,160,301
Depreciation for the year	(10,371)	(280,971)	(224,671)	–	–	(516,013)
31 December 2023 at written down value	**1,146,540**	**2,660,189**	**2,166,159**	–	–	**5,972,888**
1 January 2023						
Cost value	2,384,043	5,860,574	9,220,014	10,380	97,388	17,572,399
Impairment – Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	–	–	(8,860,163)
Accumulated depreciation	(241,841)	(1,507,677)	(3,763,173)	(10,380)	–	(5,523,071)
Net carrying amount	**260,242**	**1,743,985**	**1,087,550**	–	**97,388**	**3,189,165**
31 December 2023						
Cost value	2,445,676	5,680,362	8,989,744	10,380	–	17,126,162
Impairment – Molecular Imaging*	(1,047,407)	(1,420,418)	(3,232,037)	–	–	(5,699,862)
Accumulated depreciation	(251,729)	(1,599,755)	(3,591,548)	(10,380)	–	(5,453,412)
Net carrying amount	**1,146,540**	**2,660,189**	**2,166,159**	–	–	**5,972,888**

Year ended 31 December 2022

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

* 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. The Group's cyclotron facility has been operationally restored and is pending regulatory approval before its commercial use by Cyclotek NSW Pty Ltd. 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. In 2023, the Cyclotron facility was operationally restored, and whilst regulatory approval is still pending, the Cyclopharm Board in recognition of the financial contributions derived from the Collaboration Agreement has concluded based on their latest valuation using the income approach, that the fair value of the Cyclotron be written back from nil to $3,160,301 as at 31 December 2023.

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

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

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

Non-recurring fair value measurements:

	Level 2	Level 2
	2023 $	2022 $
Buildings	834,553	–
Plant and equipment	1,137,254	–
Leasehold improvements	1,188,494	–
Total non-financial assets recognised at fair value	**3,160,301**	–

The highest and best use of the assets in normal circumstances is the value in continued use, using the income approach technique.

12.
Right-of-use assets

	Consolidated	
	2023 $	2022 $
Land and buildings – right-of-use	5,217,008	5,195,614
Less: Accumulated depreciation	(2,033,633)	(1,820,733)
	3,183,375	**3,374,881**
Motor vehicle – right-of-use	158,993	157,989
Less: Accumulated depreciation	(129,053)	(122,431)
	29,940	**35,558**
Total right-of-use assets	**3,213,315**	**3,410,439**

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 motor vehicles under agreements of four years.

13.
Investments accounted for using the equity method

Equity accounted investments	Notes	Consolidated 2023 $	Consolidated 2022 $
Associated companies	(a)	–	–

Name	Principal Activities	Principal place of business	Measurement Method	Ownership Interest 2023	Ownership Interest 2022
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 2023 $	Consolidated 2022 $
Current assets		112,546	4,033,133
Current liabilities		(13,459,097)	(17,498,514)
Net liabilities		(13,346,551)	(13,465,381)
Share of associate's net liabilities	(a)	(2,669,310)	(2,693,076)

Extract from the associate's statement of comprehensive income:	Notes	Consolidated 2023 $	Consolidated 2022 $
Revenue		90,250	–
Net profit/(loss)	(a)	118,830	(28,723)

a) The share of the associate's profit not recognised during the year was $23,766 (2022: loss of $5,745) and the cumulative share of the associate's loss not recognised as at 31 December 2023 was $2,714,697 (31 December 2022: $2,738,463).
The share of profit of associate not recognised as at 31 December 2023 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 (2022: $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 2023 amounts to $3,206,657 (2022: $3,366,657) if Cyclotek NSW is unable to fulfil its obligations as tenant. The amount comprises payments under a sub-lease agreement commencing 1 January 2020 until the expiry of two options to renew expiring on 31 December 2039 with a rent-free period until 31 December 2022.
There were no other contingent liabilities as at the date of this report in respect of MMI or Cyclotek NSW (2022: $nil).

14.
Intangible assets

Consolidated	Intellectual Property	Goodwill on consolidation*	Licences	Technegas Development	Target	Ultralute	Total
	$	$	$	$	$	$	$
Balance at 1 January 2023	161,985	865,273	662,344	788,588	27,419	2,930,792	5,436,401
Additions	25,308	38,240	253,051	–	–	129,470	446,069
Amortisation	(26,117)	–	(120,278)	–	–	–	(146,395)
Balance at 31 December 2023	**161,176**	**903,513**	**795,117**	**788,588**	**27,419**	**3,060,262**	**5,736,075**
31 December 2023							
Non-current	161,176	903,513	795,117	788,588	27,419	3,060,262	5,736,075
Total	**161,176**	**903,513**	**795,117**	**788,588**	**27,419**	**3,060,262**	**5,736,075**
31 December 2022							
Non-current	161,985	865,273	662,344	788,588	27,419	2,930,792	5,436,401
Total	**161,985**	**865,273**	**662,344**	**788,588**	**27,419**	**2,930,792**	**5,436,401**

* Goodwill on consolidation arising upon the acquisition of Cyclomedica Benelux bvba on 1 October 2017, Cyclomedica Nordic AB on 1 May 2018 and Dupharma ApS on 1 April 2023.

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 9.01% to 25% (2022: between 5.77% to 25%). The discount rates reflect management's estimate of the time value of money and the Group's adjusted weighted average cost of capital to reflect the current market risk–free rate but also price for the uncertainty inherent in the assets.
c) Management believes the projected 3% (2022: 3%) revenue growth rate for existing markets is prudent and justified.

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 4% (2022: by more than 7%).

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

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

15.
Trade and other payables

	Notes	Consolidated 2023 $	Consolidated 2022 $
Current			
Trade payables, third-parties	(i)	3,147,364	4,399,786
Other payables and accruals	(ii)	2,437,010	1,627,295
Deposits from customers		1,357,538	475,839
Total current trade and other payables		**6,941,912**	**6,502,920**
Total trade and other payables		**6,941,912**	**6,502,920**

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 2023 $	Consolidated 2022 $
Current		
Lease liabilities	214,465	209,992
Lease liabilities (current)	**214,465**	**209,992**
Non-current		
Lease liabilities	4,012,832	4,121,592
Lease liabilities (non-current)	**4,012,832**	**4,121,592**
Total lease liabilities	**4,227,297**	**4,331,584**

17. Provisions

		Consolidated	
		Employee Entitlements $	Total $
Balance at 1 January 2023		1,180,027	1,180,027
Arising during the year		1,171,255	1,171,255
Utilised		(804,691)	(804,691)
Balance at 31 December 2023		**1,546,591**	**1,546,591**
31 December 2023			
Current		1,475,407	1,475,407
Non-current		71,184	71,184
Total		**1,546,591**	**1,546,591**
Number of employees			
Number of employees at year end	87		
31 December 2022			
Current		1,133,574	1,133,574
Non-current		46,453	46,453
Total		**1,180,027**	**1,180,027**
Number of employees			
Number of employees at year end	63		

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

	2023 $	2022 $
Deferred income liabilities	**901,812**	**901,812**

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 2023 Number	2022 Number	2023 $	2022 $
Issued and paid up capital					
Ordinary shares	(a)	94,096,326	93,053,826	69,114,460	68,753,968
Other contributed equity	(b)	–	–	(5,333,158)	(5,333,158)
Total issued and paid up capital		**94,096,326**	**93,053,826**	**63,781,302**	**63,420,810**

a) Ordinary shares

Balance at the beginning of the period		93,053,826	93,374,823	68,753,968	68,307,598
Issue of Long Term Incentive Plan shares	(i)	742,500	–	–	–
Issue of shares	(ii)	100,000	–	218,000	–
Exercise of options	(iii)	200,000	–	–	–
Cancellation of expired Long Term Incentive Plan shares	(iv)	–	(320,997)	–	–
Settlement of loans for Long Term Incentive Plan shares	(v)	–	–	142,492	446,370
Balance at end of period		**94,096,326**	**93,053,826**	**69,114,460**	**68,753,968**

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 23 March 2023, 642,500 LTIP shares were issued at an exercise price of $1.82 per share and 100,000 LTIP shares were issued at an exercise price of $3.04 per share on 12 September 2023 under the non-recourse loan payment plan, as set out in Note 25.
(ii) On 14 April 2023, 100,000 ordinary shares were issued at a deemed price of $2.18 per share as part consideration to acquire 100% of the shares in Dupharma ApS. These shares are subject to voluntary escrow until 31 March 2025 and have no dividend or voting rights until 1 April 2025.
(iii) On 30 November 2023, 200,000 options issued at nil exercise price were converted in accordance with the terms and conditions approved by the Company's shareholders on 21 May 2019.
(iv) 320,997 lapsed Long Term Incentive Plan shares were cancelled on 4 October 2022.
(v) Proceeds from settlement of loans 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 2023, the Group has no interest bearing loans and borrowings.

	Notes	Consolidated 2023 $	2022 $
Total interest bearing loans and borrowings		–	–
Add: cash and cash equivalents	8	11,726,424	20,296,176
Net cash		**11,726,424**	**20,296,176**
Total equity		32,259,482	36,536,610
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 2023 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2022. During the 2022 financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2022 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2021.

	Consolidated			
	2023 Cents per share	2022 Cents per share	2023 $	2022 $
Fully paid ordinary shares				
Final dividend in respect of the previous financial year – No franking credits attached	0.50	0.50	442,395	441,296
Interim dividend in respect of the current financial year – No franking credits attached	0.50	0.50	442,437	441,296
	1.00	**1.00**	**884,832**	**882,592**

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 2023, 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	
	2023 $	2022 $
Judgements of reasonably possible movements:		
Loss before income tax		
+1.0% (100 basis points)	117,264	202,962
–0.5% (50 basis points)	(58,632)	(101,481)

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

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

Consolidated Year ended 31 December 2023	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	3.20%	–	5,640,559	6,085,865	–	–	11,726,424
Trade and other receivables	9	n/a	7,895,053	–	–	–	–	7,895,053
Total financial assets			**7,895,053**	**5,640,559**	**6,085,865**	**–**	**–**	**19,621,477**
Financial Liabilities								
Trade payables, third-parties	15	n/a	6,941,912	–	–	–	–	6,941,912
Leases, third-party	16	4.50%	–	–	214,465	1,003,712	3,009,120	4,227,297
Total financial liabilities			**6,941,912**	**–**	**214,465**	**1,003,712**	**3,009,120**	**11,169,209**
Net exposure			**953,141**	**5,640,559**	**5,871,400**	**(1,003,712)**	**(3,009,120)**	**8,452,268**

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

20.
Financial risk management objectives (continued)

b) Credit risk

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

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

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

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

c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group has no borrowings as at 31 December 2023.

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 2023		Less than 6 months	6 months to 1 year	1 year to 5 years	Greater than 5 years	Total
	Note	$	$	$	$	$
Trade payables, third-parties	15	6,941,912	–	–	–	6,941,912
Leases, third-party	16	106,086	108,379	1,003,712	3,009,120	4,227,297
		7,047,998	**108,379**	**1,003,712**	**3,009,120**	**11,169,209**

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

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 67% (2022: 66%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 52% (2022: 50%) of costs are denominated in the unit's functional currency.

At 31 December 2023, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated	
	2023 $	2022 $
United States dollars		
Amounts payable	252,594	252,594
Amounts receivable	–	–
Euros		
Amounts payable	967,145	229,703
Amounts receivable	1,548,111	1,508,591
Canadian dollars		
Amounts payable	57,118	123,666
Amounts receivable	604,682	427,871
Swedish Kroners		
Amounts payable	653,943	634,107
Amounts receivable	1,228,199	1,441,833
Japanese Yen		
Amounts payable	–	10,104
Amounts receivable	–	–
Great British Pound		
Amounts payable	82,824	55,796
Amounts receivable	163,289	245,643
Net exposure	**(1,756,958)**	**(2,317,968)**

Management believes 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 2023.

20.
Financial risk management objectives (continued)

e) Foreign currency risk (continued)

Foreign currency sensitivity

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

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

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

	Consolidated	
	Increase in AUD of 10% $	Decrease in AUD of 10% $
Euro		
31 December 2023		
Net (loss)/profit	(28,683)	31,551
Equity (decrease)/increase	(28,683)	31,551
31 December 2022		
Net (loss)/profit	(108,560)	119,416
Equity (decrease)/increase	(108,560)	119,416
CAD		
31 December 2023		
Net (loss)/profit	(49,778)	54,756
Equity (decrease)/increase	(49,778)	54,756
31 December 2022		
Net (loss)/profit	(27,655)	30,421
Equity (decrease)/increase	(27,655)	30,421
USD		
31 December 2023		
Net profit/(loss)	2,390	(2,629)
Equity increase/(decrease)	2,390	(2,629)
31 December 2022		
Net profit/(loss)	22,963	(25,259)
Equity increase/(decrease)	22,963	(25,259)
SEK		
31 December 2023		
Net (loss)/profit	(52,205)	57,426
Equity (decrease)/increase	(52,205)	57,426
31 December 2022		
Net (loss)/profit	(73,430)	80,773
Equity (decrease)/increase	(73,430)	80,773
GBP		
31 December 2023		
Net (loss)/profit	(7,315)	8,047
Equity (decrease)/increase	(7,315)	8,047
31 December 2022		
Net (loss)/profit	(17,259)	18,985
Equity (decrease)/increase	(17,259)	18,985

21.
Commitments & contingencies

a) Capital commitments

Cyclopharm has entered into agreements to fund research projects with unrelated institutions. The commitments for these projects total $262,502 (2022: $264,024) 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 2023 amounts to $3,206,657 (2022: $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 (2022: $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. There were no transactions that were entered into with related parties for the relevant financial year.

Ultimate parent entity

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

Controlled Entities

		Country of Incorporation	Percentage of equity interest held	
Name	Note		2023	2022
Cyclopharm Limited	1,2	Australia		
Controlled entities				
CycloPET Pty Ltd	2	Australia	100%	100%
Cyclomedica Australia Pty Limited	2	Australia	100%	100%
Cyclomedica Ireland Limited	3	Ireland	100%	100%
Cyclomedica Europe Limited	3	Ireland	100%	100%
Cyclomedica Benelux bvba	4	Belgium	100%	100%
Cyclomedica Nordic AB	5	Sweden	100%	100%
Cyclomedica Germany GmbH	6	Germany	100%	100%
Cyclomedica Canada Limited	7	Canada	100%	100%
Cyclomedica USA LLC	8	United States of America	100%	100%
Cyclomedica UK Ltd	9	United Kingdom	100%	100%
Cyclomedica New Zealand Limited	10	New Zealand	100%	100%
Dupharma ApS	11	Denmark	100%	0%

Notes

1. Cyclopharm Limited is the ultimate parent entity in the wholly owned group.
2. Audited by Nexia Sydney Audit Pty Ltd, Australia.
3. Audited by Andrew P. Quinn & Associates Limited, Republic of Ireland.
4. Audited by VGD Gent, Belgium.
5. Audited by Nexia Revision, Stockholm, Sweden.
6. Audited by Bilanzia GmbH Wirtschaftsprufungsgesellschaft, Germany.
7. Audited by Schwartz Levitsky & Feldman LLP, Toronto, Canada.
8. Unaudited as results are not material.
9. Audited by Saffery Champness LLP, Bristol, United Kingdom .
10. Dormant.
11. Unaudited as results are not material.

23.
Events after the balance date

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 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	
	2023 $	2022 $
Amounts received or due and receivable by the auditor of the parent entity and associated entities for:		
Audit and review of the financial statements	148,095	138,138
Other services:		
– tax compliance	19,277	26,909
	167,372	**165,047**
Amounts received or due and receivable by other audit firms for:		
Audit of the financial statements of controlled entities	208,251	175,905
Other services	138,026	109,206
	346,277	**285,111**

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 $	$	$	$
2023	**1,071,922**	**80,000**	**122,789**	**49,356**	**321,076**	**1,645,143**
2022	927,281	36,496	97,350	18,782	340,994	1,420,903

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	
	2023 $	2022 $
Expense arising from equity-settled share-based payment transactions (note 5)	524,192	648,202

The share-based payment reserve at 31 December 2023 was $3,765,955 (2022: $3,241,763).

b) Share-based payment other than implied options

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

c) Type of share based payment plans

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

Shares

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

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

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

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

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

LTIP Shares issued

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

Implied Options

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

26.
Share based payment plans (continued)

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.

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	
		2023 Number	2022 Number	2023 $	2022 $
Balance at the beginning of the year		1,317,062	2,853,059	1.50	1.33
Granted during the year		742,500	–	1.98	–
Vested but unexercised during the year	(i)	(850,000)	(910,000)	–	–
Vested and exercised during the year		(200,000)	(325,000)	–	–
Lapsed during the year		–	(300,997)	–	–
Balance at the end of the year		**1,009,562**	**1,317,062**	**2.31**	**1.50**
Vested but unexercised at the end of the year		4,175,804	3,453,020		

(i) 850,000 LTIP shares (2022: 660,000) vested during the year.

(ii) On 30 November 2023, 200,000 Options issued at nil exercise price were converted in accordance with the terms and conditions approved by the Company's shareholders on 21 May 2019. After the conversion, there are no Options (2022: 200,000) and 5,185,366 LTIP shares (2022: 4,570,082) on issue as at 31 December 2023.

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

The weighted average exercise price for Implied Options at the end of the year was $2.31 (2022: $1.50). The weighted average remaining contractual life for Implied Options outstanding as at 31 December 2023 is 1.72 years (2022: 0.90 years). The weighted average fair value of Implied Options granted during the year was $1.98 (2022: nil).

f) Option pricing models

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

	Implied Options	Implied Options	Implied Options	Implied Options
Exercise price per Option	**$3.20**	**$3.20**	**$1.82**	**$3.04**
Number of recipients	25	1	38	1
Number of Options	264,062	3,000	642,500	100,000
Grant date	19/02/21	19/02/21	23/03/23	12/09/23
Dividend yield	–	–	–	–
Expected annual volatility	61.00%	61.00%	46.00%	48.00%
Risk-free interest rate	0.08%	0.37%	3.48%	3.90%
Expected life of Option (years)	*3.36 years	6 years	3 years	2 years
Fair value per Option	$1.012	$1.447	$0.419	$0.594
Share price at grant date	$2.79	$2.79	$1.50	$2.56
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes

* Extended to 30 June 2024.

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

27. Parent entity disclosure

	2023 $	2022 $
(i) Financial position		
Assets		
Current assets	7,502,194	14,960,192
Non-current assets	54,759,970	47,967,544
Total assets	**62,262,164**	**62,927,736**
Liabilities		
Current liabilities	442,050	486,736
Non-current liabilities	10,323,448	10,323,448
Total liabilities	**10,765,498**	**10,810,184**
Net assets	**51,496,666**	**52,117,552**
Equity		
Contributed equity	63,981,835	63,621,343
Employee equity benefits reserve	3,765,955	3,241,763
Accumulated losses	(16,251,124)	(14,745,554)
Total equity	**51,496,666**	**52,117,552**
(ii) Financial performance		
Loss for the year	(525,440)	(1,973,802)
Other comprehensive income	–	–
Total comprehensive loss for the year	**(525,440)**	**(1,973,802)**

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.

29.
Business combinations

Acquisition of Dupharma ApS

On 1 April 2023, the Group acquired via a Share Sale Agreement 100% of the ordinary shares of Dupharma ApS ("Dupharma"), a company incorporated in Denmark. Dupharma is a distributor of nuclear medicine products in Denmark and is the distributor for Technegas products in Denmark.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Dupharma for the period between 1 April 2023 and 31 December 2023.

The fair values of identifiable net assets of Dupharma at the date of acquisition were:

	Fair value recognised on acquisition $
Assets	
Cash and cash equivalents	61,326
Inventories	3,251
Debtors	39,035
Licences (fair valued at acquisition date)	243,351
Total Assets	**346,963**
Liabilities	
Other payables	105,503
Total liabilities	**105,503**
Total identifiable net assets at fair value	241,460
Goodwill arising on acquisition	38,240
Purchase consideration transferred/transferable (i)	**279,700**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	61,326
Cash paid	(32,395)
Net cash inflow	**28,931**

The fair value of trade and other receivables at acquisition date amounts to $39,035.

(i) The purchase consideration of $279,700 included $218,000 being 100,000 ordinary shares issued at a deemed price of $2.18 per share and future consideration of $29,305 (DKK 147,500) payable on the post completion date. The shares are subject to voluntary escrow until 31 March 2025 and have no dividend or voting rights until 1 April 2025.

From the date of acquisition to the end of the financial year, Dupharma contributed revenue of $444,675 and a net loss after tax of $213,330 to the continuing operations of the Group.

The goodwill recognised is primarily attributed to synergies available to the new group which will enhance shareholder value through capturing agency commissions and providing control over distribution and pricing. The goodwill is not deductible for income tax purposes. Transaction costs of $54,220 have been expensed and are included in Administration expense in the Statement of Comprehensive Income and are part of operating cash flows in the statement of cash flows.

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 32 to 73 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 2023 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 2023.

Signed in accordance with a resolution of the Directors:

James McBrayer
Managing Director and CEO

Sydney, 26 March 2024

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 2023, 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 2023 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.

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Key audit matter	How our audit addressed the key audit matter
Capitalised Development Costs for Ultralute ($3,060,262) Refer to note 14 Included in the Group's intangible assets are capitalised development costs $3,060,262 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 ($10,155,852) 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 subassemblies and related bill of materials. ▪ We obtained evidence that inventory did not exceed its net realisable value by:

Key audit matter	How our audit addressed the key audit matter
	- Checking a sample of inventory items to subsequent selling prices; - 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 2023, 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.

Nexia Australia

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 29 of the directors' Report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Cyclopharm Limited for the year ended 31 December 2023, 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

Nexia Sydney Audit Pty Ltd

Stephen Fisher
Director
Dated: 26 March 2024

ASX Additional Information

The following information is current at 29 February 2024.

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	14.04%
Barings Acceptance Limited	11,444,962	12.16%
HSBC Custody Nominees (Australia) Limited - A/c 2	9,754,594	10.37%
National Nominees Limited	9,706,764	10.32%
Chemical Overseas Limited	8,005,769	8.51%
CVC Limited	6,644,758	7.06%
Mr James McBrayer	5,309,580	5.64%

B. Distribution of Equity Security Holders

(i) Analysis of numbers of equity security holders by size of holding as at 29 February 2024.

Category	Ordinary Shareholders	Percentage held of issued ordinary capital
1 – 1,000	426	0.20%
1,001 – 5,000	555	1.75%
5,001 – 10,000	273	2.30%
10,001 – 100,000	311	9.12%
100,001 and over	58	86.63%
Total	**1,623**	**100.00%**

(ii) There were 149 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	14.04%
2	Barings Acceptance Limited	11,444,962	12.16%
3	HSBC Custody Nominees (Australia) Limited - A/c 2	9,754,594	10.37%
4	National Nominees Limited	9,706,764	10.32%
5	Chemical Overseas Limited	8,005,769	8.51%
6	CVC Limited	6,644,758	7.06%
7	Citicorp Nominees Pty Limited	3,893,748	4.14%
8	McBrayer Reid Investments Pty Ltd – LTIP 6	1,721,554	1.83%
9	Chemical Overseas Limited	1,182,239	1.26%
10	UBS Nominees Pty Ltd	1,111,535	1.18%
11	Mr James McBrayer	1,061,728	1.13%
12	Phillips River Pty Ltd <GAT A/c>	1,038,914	1.10%
13	Lloyds & Casanove Investment Partners Ltd	987,503	1.05%
14	Mr James McBrayer	861,728	0.92%
15	South Seas Holdings Pty Limited	686,538	0.73%
16	City & Westminster Limited	556,327	0.59%
17	McBrayer Reid Investments Pty Limited	500,000	0.53%
18	Mathew Farag <LTIP Account Holding 4>	500,000	0.53%
19	Marayong Nicholas Pty Ltd	431,758	0.46%
20	Mr Anthony Rex Morgan & Mrs Elena Morgan	425,000	0.45%
		73,726,751	78.35%
	Other equity security holders	20,369,575	21.65%
	Total	**94,096,326**	**100.00%**

D. Voting Rights

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

Corporate Directory

Directors

David Heaney
Non-Executive Chairman

James McBrayer
Managing Director & CEO

Dianne Angus
Non-Executive Director

Kevin Barrow
Non-Executive Director

Professor Greg King
Non-Executive Director

John Wigglesworth
Non-Executive Director

Company Secretary
James McBrayer

Offices

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F: 02 9543 0960

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Cyclomedica Nordic AB
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Cyclomedica Benelux bvba
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Share Registry
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Fax: 02 8583 3040
Email: hello@automic.com.au
Web: www.automic.com.au

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

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

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

Corporate Governance Statement
https://www.cyclomedica.com/company/cyclopharm/

cyclopharm
Nuclear Medicine

www.cyclopharm.com