Cyclopharm Limited
Annual Report 2019

cyclopharm

Cyclopharm Limited and its Controlled Entities
ABN 74 116 931 250

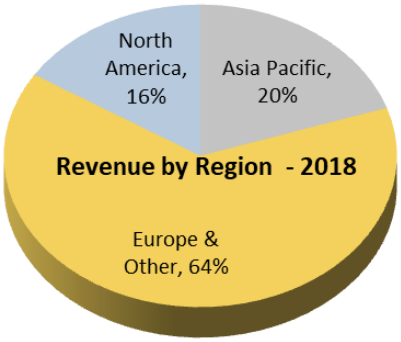
Contents

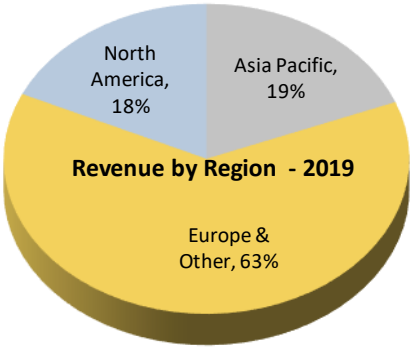
FINANCIAL HIGHLIGHTS

Full Year ending 31 December		2017	2018	2019	% Change
Sales Revenue	$'000	13,189	13,404	14,079	5.0%
Profit / (Loss) Before Tax	$'000	705	118	(2,425)	(2155.1%)
Loss After Tax	$'000	(1,525)	(35)	(2,912)	(8220.0%)
Diluted Loss Per Share	cents	(2.25)	(0.05)	(4.28)	(8460.0%)

Sales Revenue for the Full Year ending 31 December		2017	2018	2019	% Change
Technegas Division	$'000	13,189	13,404	14,079	5.0%
Molecular Imaging Division	$'000	-	-	-	0.0%
Total Sales Revenue	$'000	13,189	13,404	14,079	5.0%

Net Profit/(Loss) Before Tax for the Full Year ending 31 December		2017	2018	2019	% Change
Technegas Division	$'000	1,165	455	(3,171)	(796.9%)
Molecular Imaging Division	$'000	(460)	(337)	746	100.0%
Total Net Profit/(Loss) Before Tax	$'000	705	118	(2,425)	(2155.1%)





Underlying Results for the Year ended 31 December	2018 $'000	2019 $'000	Change $'000	Change %
Sales Revenue	**13,404**	**14,079**	**675**	**5.0%**
Gross Margin	10,855	11,619	764	7.0%
Gross Margin % Sales	81.0%	82.5%	1.5%	
Underlying Profit Before Tax	**1,406**	**887**	**(519)**	**(36.9%)**
Add back non-operating activities:				
Income				
Cyclopet Division	(335)	746 *	1,081	(322.7%)
R&D Tax Incentive Grant	2,122	2,934	812	38.3%
Reversal of Contingent Consideration on Acquisition of Subsidiary	314	-	(314)	(100.0%)
Unrealised Gain on Forward Exchange Contract	275	-	(275)	(100.0%)
Recovery from German litigation	-	339	339	0.0%
Expenses				
FDA expenses	(2,965)	(3,842)	(877)	29.6%
Pilot Clinical Trials	(251)	(351)	(100)	39.8%
Retirement / Severance Payments	-	(322)	(322)	0.0%
Quality and Regulatory Department Expansion	-	(238)	(238)	0.0%
CYC Quality System Investment	-	(827)	(827)	0.0%
Litigation Expenses	(410)	(1,064)	(654)	159.5%
Cost of Terminating Put Option	-	(309)	(309)	0.0%
Cost of LTIP program	(38)	(378)	(340)	894.7%
Reported Profit / (Loss) Before Tax	**118**	**(2,425)**	**(2,543)**	**(2155.1%)**

* Includes One-Off Rent Abatement of $976k

Chairman's Letter

31 March 2020

Dear Shareholders,

Cyclopharm's most significant business opportunity is gaining access to the US market for our core Technegas products. Following significant work during 2019 to prepare a New Drug Application (NDA) for the US regulator, we have increased confidence that approvals to sell Technegas, in the USA, will be granted within the next 12 months.

Our submission of the Technegas NDA was lodged with the United States Food and Drug Administration on 27 March 2020 and includes a priority review application and a fee waiver request. The priority review application has the potential to accelerate the approval process, while the fee waiver request may see the US$2.9 million cost for submitting the NDA refunded or substantially reduced.

The total cost to gain US regulatory approval of Technegas is expected to be US$8.8 million, excluding application fee costs, of which US$7.6 million had already been invested by the end of 2019. The balance is fully funded following a successful capital raising last December, at a premium to the Company's share price. The funds from the capital raising will also support Cyclopharm's rapid entry into the US market and the delivery of our other strategic priorities.

The commercial launch of Technegas in the US is expected in late 2020 or early 2021. In advance of this we are investing in building our US management team, distribution capabilities and inventory. We estimate the size of the US market for Technegas to be US$90 million in sales per annum. We expect to gain a 50% share of this market in the first 2 to 3 years, rising to 80% over 5 to 7 years.

While completing preparations for the commercial launch of Technegas in the US we continued to pursue regulatory approval to sell Technegas in Russia and other European markets and delivered a solid financial performance from our existing business.

We also made good progress against our key strategic initiatives. We continued to invest in medical trials as part of our 'Beyond PE' initiative, aimed at broadening the use of Technegas in new and significantly larger markets, such as the diagnosis and monitoring of COPD and asthma.

We have reprioritised the registration of our Ultralute technology as a medical device in Australia over Europe, as part of our developing and commercialising complementary technologies initiative. This shift in priority is a result of changes to the regulatory regime in Europe causing significant delays to the registration of Ultralute in that market. We do, however, continue to consider Europe as our preferred market in which to launch Ultralute.

As part of our initiative around leveraging our core global strengths our European distribution business has signed a 5 years' agreement to distribute products to 14 European countries on behalf of Jubilant Draximage Inc of Canada, starting in 2020.

The current spread of COVID-19 is affecting every business globally. Our people are integral to our mission to provide our customers with the assurance of ongoing supply of Technegas® Systems including consumables, accessories and service. As a company we are committed to minimising the risk of contracting the virus and keeping our employees, their loved ones and our communities safe.

Chairman's Letter

Continued

Under the NSW Essential Services Act, organisations involved in the manufacture of pharmaceuticals are designated to be an essential service. Based on this designation, Cyclopharm will continue our manufacturing activities.

Our global offices are instituting flexible / remote work arrangements where possible. We will comply with our customers policies and procedures in circumstances where our staff are required to attend sites to both keep Technegas® Generators fully functional and support our customers in the provision of uninterrupted lung imaging services.

In conclusion, 2019 is the year when we completed the work to position Cyclopharm for the next growth phase. We have made tangible progress against each of our strategic priorities; we continued to deliver a solid performance from our existing operations and ensured the company retains the financial strength to maximise our growth opportunities and returns for 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

Managing Director's Review

Key features of Cyclopharm's financial results for the 2019 year include:

- **Technegas® Sales Revenue of $14.08 million up 5.0% on the prior year**
- **Underlying Operating Profit Before Tax [1] of $0.89 million in the Technegas® division**
- **$3.84 million spent on USFDA approval process of Technegas® - entering final stage of the approval process to start sales of Technegas® in the United States market in 2020.**
- **Approved R&D tax incentive resulting in Other Income of $2.93 million**
- **Strong net cash position at year-end of $12.66 million following successful completion of an institutional share placement in December 2019.**
- **Cyclopharm is financed for the next phase of growth**
- **Good progress in developing new clinical applications providing large, long term growth opportunities for Technegas® – Beyond PE**
- **Final dividend maintained at 0.5 cents per share (cps), bringing total unfranked dividends for FY19 to 1.0 cps.**

Dear Shareholders,

Cyclopharm delivered another solid underlying financial performance in 2019 and continues to make progress in line with our growth objectives.

Cyclopharm has four major strategies for growth:

1. Grow Technegas® sales by attaining approval to distribute Technegas® in the USA;
2. Expand the use of Technegas® beyond the traditional diagnosis of Pulmonary Embolism (PE) into significantly larger applications such as Chronic Obstructive Pulmonary Disease (COPD), Asthma, Lung Cancer, Lung Volume Reduction and Pulmonary Hypertension for both diagnosis and patient management;
3. Identify, develop and commercialise complementary innovative technology such as Ultralute™; and
4. Leverage our core global regulatory strengths, fiscal discipline, strong balance sheet and well-developed expertise in nuclear medicine and pulmonary healthcare by seeking out complementary technologies and businesses.

Against these objectives, during 2019, Cyclopharm expanded sales of our core Technegas® products in existing markets, delivered a Revenue of $14.08 million and entered the final stage of the approval process to start sales of Technegas® in the USA market in 2020.

The company invested in further R&D and support of clinicians to expand the use of Technegas® in new diagnostic applications 'Beyond PE'; continued to work towards the registration of Ultralute™ as a medical device in Europe and also Australia; and leveraged our infrastructure and capabilities to expand our distribution partnerships which now include Jubilant Draximage based in Canada; ROTOP Pharmaka based in Germany and Tema Sinergie based in Italy.

[1] Underlying Results represent results from the Technegas® Division excluding R&D tax incentive, reversal of contingent consideration, FDA Expenses, Pilot Clinical Trial expenses and net provisions for Germany.

Managing Director's Review
Continued

Financial Performance

Cyclopharm's revenue increased to $14.08 million during 2019, underpinned by initial sales of Technegas® Generators in South America complemented by a significant uplift in generator sales in Canada. In total, revenue from Generator sales increased 21% over the year to $2.16 million. PAS revenue remained consistent at $10.61 million. Service revenue in markets where we distribute our products directly, increased by 31% to $1.30 million. Gross margins increased slightly to 82%.

Cyclopharm recorded an underlying profit before tax of approximately $0.89 million, a decrease of $0.52 million on the prior year. This performance primarily reflects the ongoing investment required for Cyclopharm to meet global regulatory requirements to include the USFDA.

Expenditure on the Technegas® USFDA regulatory approval process in 2019 was $3.84 million, compared to $2.96 million in the prior year. US$7.60 million has been spent on the current USFDA approval process project up to 31 December 2019.

In 2020, the Company expects to spend approximately US$1.20 million on developing its New Drug Application (NDA) required to gain regulatory approval to sell Technegas® in the US market. The total anticipated expenditure to gain USFDA approval of Technegas® is expected to amount to US$8.80 million, US$1.30 million in addition to the previous estimation of US$7.5 million.

In December 2019, Cyclopharm announced it had successfully raised $9.775 million via an institutional placement of 8.5 million shares with Karst Peak Capital Limited (Karst Peak). The placement was made at an 11.7% premium to the Company's share price at that time. Following the placement, Karst Peak holds a substantial position in Cyclopharm's issued share capital.

The funds raised under the offer will be used to support the company's planned entry into the US market in 2020/21, and other strategic priorities, including expanding the use of Technegas® beyond the pulmonary embolism market; ongoing research and development activities; and product and systems enhancement.

A portion of Cyclopharm's costs, associated with the Group's overseas R&D activity, have been approved for inclusion in an R&D Tax Incentive program administered by AusIndustry. This has allowed the company to report Other Income of $2,934,187 for the year compared to $2,122,351 reported in 2018.

Net loss after tax for the year, which includes USFDA and Legal expenditure, was $2,912,440 compared to net loss after tax of $35,456 in the prior year, representing a Basic Loss per Share of 4.28 cents. A solid Underlying EBITDA supported the Board's decision to maintain a full year final dividend of 0.5 cent per share, bringing total dividends for 2019 to 1.0 cent per share.

Managing Director's Review
Continued

CYCLOPHARM'S UNDERLYING RESULTS[2].

YEAR ENDED 31 DECEMBER	2019 $'000	2018 $'000	CHANGE $'000	CHANGE %
SALES REVENUE	**14,079**	**13,404**	**675**	**5%**
GROSS MARGIN	**11,619**	**10,855**	**764**	**7%**
GROSS MARGIN % SALES	82.5%	81.0%	1.5%	
UNDERLYING PROFIT BEFORE TAX	**887**	**1,406**	**(519)**	**(37%)**
ADD BACK NON-OPERATING ACTIVITIES:				
INCOME				
CYCLOPET DIVISION	746*	(335)	1,081	323%
R&D TAX INCENTIVE GRANT	2,934	2,122	812	38%
REVERSAL OF CONTINGENT CONSIDERATION ON ACQUISITION OF SUBSIDIARY	-	314	(314)	(100%)
UNREALISED GAIN ON FORWARD EXCHANGE CONTRACT	-	275	(275)	(100%)
RECOVERY FROM GERMAN LITIGATION	339	-	339	-
EXPENSES				
FDA EXPENSES	(3,842)	(2,965)	(877)	(30%)
BEYOND PE PILOT CLINICAL TRIALS	(351)	(251)	(100)	(40%)
RETIREMENT/SEVERANCE PAYMENTS	(322)	-	(322)	-
QUALITY AND REGULATORY DEPARTMENT EXPANSION	(238)	-	(238)	-
CYC QUALITY SYSTEM INVESTMENT	(827)	-	(827)	-
LITIGATION EXPENSES	(1,064)	(410)	(654)	(160%)
COST OF TERMINATING PUT OPTION	(309)	-	(309)	-
COST OF LTIP PROGRAM	(378)	(38)	(340)	(895%)
REPORTED (LOSS) / PBT	**(2,425)**	**118**	**(2,543)**	**(2,155%)**

***INCLUDES ONE-OFF RENT ABATEMENT OF $976K**

Operations and Strategy

During 2019, Cyclopharm's core operations continued to generate healthy positive earnings and cashflows. Significant progress was also made in implementing our strategy to commercialise our intellectual property in new markets whilst developing new applications in all markets to improve respiratory patient healthcare outcomes and enhance our growth strategy.

Operating highlights for the year included:

- Progressed to near final New Drug Application submission status in support of USFDA approval to market and distribute Technegas® in the United States
- Initiation of further pilot clinical trials targeting new applications for Technegas® in chronic respiratory disease states
- Progressed the certification process of Cyclopharm's patented Ultralute™ technology in the medical device category in Europe and Australia
- Leveraged our existing capabilities and infrastructure to sign a European distribution agreement to sell Jubilant DraxImage Inc. RUBY-FILL® generators and accessories.
- Recognition by regulatory bodies in both Canada and Europe of the market leading clinical efficacy of Technegas® in diagnosing Pulmonary Embolism.

[2] Underlying Results represent results from the Technegas® Division excluding R&D tax incentive, reversal of contingent consideration, FDA Expenses, Pilot Clinical Trial expenses and net provisions for Germany.

EXPAND TECHNEGAS® REVENUES

Revenue from the core Technegas® division, of $14.08 million, rose 5.0% over the prior year.

Sales of generators and other service revenue represented 25% of revenue, up 25% on the prior year. The increase was primarily a result of larger sales volumes of Generators in South America and Canada, complemented by an increase in service and other revenue to $1.30 million, compared to $0.99 million in 2018. Sales of Patient Administration Sets (PAS) represented 75% of the total revenue, consistent with the prior year.

TECHNEGAS® SALES COMPOSITION	2016 $'000	2017 $'000	2018 $'000	2019 $'000	CHANGE FY18 TO 19 %
PAS REVENUE	10,782	10,908	10,624	10,615	(0.1%)
GENERATOR AND SERVICE REVENUE	3,604	2,281	2,780	3,464	25%
TOTAL	**14,386**	**13,189**	**13,404**	**14,079**	**5.0%**

Each box of PAS is equal to 50 patient doses of Technegas®. Cyclopharm sold 3,642 PAS boxes (182,100 patients) in 2019 down 6.4% from 3,893 in 2018. PAS Revenue remained consistent despite the decline in volume due to a favourable sales mix toward more profitable regions. The Group's sales of PAS units was impacted by stocks being exhausted as part of the transition of the distribution arrangement in the United Kingdom from a third party distributor to in house direct distribution model, while muted sales volumes were recorded in Germany following continued IP litigation disruption.

Canada returned as the largest country market by volume with 908 PAS boxes sold. In Australia sales were primarily held back by a series of disruptions to the supply of nuclear medicine isotopes from the Australian Nuclear Science and Technology Organisation (ANSTO). ANSTO's supply disruptions were resolved in November 2019, and the company expects sales of PAS in Australia in 2020 will return to historical levels.

The Group sold 58 Technegas® generators, up from 50 in the prior year with improved average prices in the European market reflecting the improved distribution margins following the acquisition of our Scandinavian distributor Medicall Analys AB ("MA") in May 2018. With this acquisition and the establishment of our own operations in the United Kingdom in early 2020, Cyclopharm now has direct access in Europe to supply our products to Sweden, Norway, Finland, Belgium, Luxembourg, Netherlands, Germany, Ireland, Northern Ireland, England, Scotland and Wales.

Regional review

Canada reclaimed its status as largest country market for Technegas® by posting a record sales result of $2.55 million, up 19% on 2018. This result included the sale of 908 PAS boxes, 59 more than the prior year. In 2019 Canada contributed 18% of global Technegas® revenue.

Revenue in Latin America was $335,843 which included 8 Generators sold (compared to none in 2018) and an 8% increase in PAS unit sales, from 108 to 117 boxes.

Europe also posted a record revenue result of $8.74 million, $0.40 million higher than 2018. In total Europe contributes approximately 62% of global revenue. The record revenue result was produced by 34 Generators sold, 10% higher than 2018 and despite PAS sales volumes of 1,803 being down 10% on 2018. Lower volumes were offset by improved average prices, with Cyclopharm capturing the distribution margin, following the acquisition of the distributor for our Scandinavian market in May 2018.

Following the success of the change in the company's distribution arrangements in European markets, in 2019 the company commenced the process of transitioning its distribution arrangements in the UK from a third-party distributor model to direct distribution. As part of this transition, stocks

held by that distributor were run down having a short-term impact on UK sales. Lower sales were experienced in Germany whilst legal action, initiated by Cyclopharm against its former employee in Germany, continues to run its course. Cyclopharm received a successful judgment in its first civil case against its former distributer and was awarded payment of this full claim of $338,908 in early 2019.

Revenue in the Asia-Pacific region declined by 12% in 2019 to $2.35 million. In Australia, revenue was 12% lower, with a 16% decrease in PAS boxes sold compared to 2018. Disruption to the manufacture and supply of the Molybdenum-99 isotope to Australian hospitals, following a fault at ANSTO's manufacturing facility, had a consequential effect of decreasing demand for PAS during the period of ANSTO's disrupted supply. ANSTO's supply disruptions were resolved in November 2019, and the company expects sales of PAS in Australia in 2020 will return to historical levels. Generator sales volume decreased to 4 units, 2 less than in 2018. Sales revenue to Asia was down 13% in 2019 representing 3 generators and 195 PAS boxes compared to 5 Generators and 219 PAS boxes in 2018.

Revenue from South Africa was down 22% to $102,782. No Generators were sold in 2019 compared to 3 units sold in 2018 while PAS sales increased by 11 units to 56 units.

TECHNEGAS® SALES BY REGION	2016 $'000	2017 $'000	2018 $'000	2019 $'000	CHANGE FY18 TO 19 %
NORTH AMERICA - CANADA	2,258	2,199	2,144	2,553	19%
EUROPE	7,936	8,340	8,348	8,743	5%
ASIA PACIFIC	3,999	2,365	2,663	2,344	(12%)
SOUTH AFRICA & LATIN AMERICA	193	285	249	439	76%
TOTAL	**14,386**	**13,189**	**13,404**	**14,079**	**5.0%**

ACCESS USA & OTHER NEW MARKETS

The most significant business opportunity for Cyclopharm is gaining USFDA approval to sell Technegas® in the US market.

The process for approving Technegas® sales in the US is nearing its final stages. The Company through its Clinical Research Organisation (CRO) submitted the documentation required for a 505(b)(2) New Drug Application (NDA) to the United States Food and Drug Administration (USFDA) on 27 March 2020.

As part of its New Drug Application to the USFDA, the company also submitted a priority review application, which may, if granted, accelerate the typical NDA process post the 60 day initial assessment from a 10 month to a 6 month approval evaluation.

Prior to submitting our Technegas® NDA, Cyclopharm has also submitted a fee waiver request. The USFDA encourages small business to develop new products for the USA market by providing a mechanism to waive or reduce the USD $ $2.9 million cost for submitting a NDA application. To qualify for the small business fee waiver program the applicant company must demonstrate that it has fewer than 500 employees, has limited resources for user fee purposes of less than USD $20 million and that it is submitting its first drug application. In 2008 Cyclopharm received written confirmation from the USFDA that it qualified for their small business fee waiver program. Given that Cyclopharm continues to meet the small business fee waiver criteria, the Company has updated its documentation to the USFDA for processing along with further supporting information related to innovation and public health. Whilst we understand that we will need to pay the fee upon lodgement, we expect that the fee will be refunded.

In parallel, Cyclopharm is progressing the activities that will support a rapid market entry of Technegas® in the United States with commercial launch, depending upon USFDA approval, expected in late 2020 or early 2021. These steps included completing company business registration

in the United States, appointing new senior management in areas of quality, sales and technical service and a focusing on enhancing our inventory management and product distribution capabilities.

The existing market for nuclear medicine ventilation imaging in the USA is estimated to be approximately USD$90 million annually, representing approximately 600,000 individual procedures. Based on Cyclopharm's experience in the Canadian market, the directors are confident that Technegas® can achieve a 50% share of the USA market over 2 to 3 years, post US market entry, with an 80% share representing around 480,000 procedures per annum achievable over a 5 to 7-year period

Consistent with its experience in other markets, Cyclopharm is targeting an 80% share of the existing US nuclear medicine ventilation imaging market, representing around 480,000 individual procedures per annum. Based on the Group's experience of the rates of adoption of Technegas® following regulatory approval in Canada, Cyclopharm believes that a 50% total market conversion is achievable over 2 to 3 years with the balance of the target market converted within 5 to 7 years.

Independent to the current NDA submission, recruitment will continue for the Company's clinical trial program CYC-009. As at 27 March 2020, 204 of the target 240 patients have been completed. Whilst the CYC-009 efficacy outcomes will not be assessed until the last patient is recruited, safety data from 139 patients is included in the 505(b)(2) application.

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

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

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

In addition to the US market, Cyclopharm continues to pursue regulatory approvals to commence sales of Technegas® in Russia and additional European markets.

BEYOND PE

Cyclopharm believes the extension of Technegas® into new applications such as the diagnosis and monitoring of COPD, asthma and other respiratory disease states will create opportunities to exponentially expand the market for Technegas® beyond its traditional PE market.

Cyclopharm's strategy to expand Beyond PE is being delivered by targeting new applications through clinical studies; educating clinicians; and engaging directly with respiratory medicine referrers.

The University of Newcastle, Hunter Regional Medical Institute (HRMI) and John Hunter Hospital are conducting a study into the use of Technegas® in patients with severe small airways disease.

The 100 patient study has now reached full recruitment. As part of the study, a 39-patient subset of the 100 underwent tests using Technegas® to determine response to therapy.

The overall study has been designed to test two specific hypotheses:

1. There is ventilation heterogeneity among patients with severe obstructive airway diseases that can be assessed using Technegas® functional lung ventilation imaging with quantification; and
2. Technegas® functional lung ventilation imaging with quantification is responsive to change following intervention in patients with severe obstructive airway diseases.

Initial publications for the HRMI study are expected early 2020.

In addition to the Newcastle study, Cyclopharm is active globally in supporting four other clinical initiatives targeting the use of Technegas® beyond PE. The implication in advancing these initiatives could expand the use of Technegas® by improving the diagnosis and management of patients with COPD and other small airways diseases. Cyclopharm estimates the global COPD market is 30 times the size of the PE market and over 500 million patients suffering with COPD and Asthma could benefit from the use of Technegas® in diagnosis and ongoing patient monitoring/management. These markets represent significant opportunities to expand sales of Technegas® and drive shareholder value over the medium term.

COMMERCIALISE ULTRALUTE™

As previously advised, the Company has been pursuing registration of our proprietary Ultralute™ technology as a medical device in the European Union and to register Ultralute™, through the Australian Therapeutic Goods Administration (TGA), as a Class 1 Medical device listed on the Australian Register of Therapeutic Goods.

The EU is currently undergoing a change in the regulatory regime as it shifts from the MDD to the MDR regime. Consequently, authorised notified bodies are required to reassess and recertify the conformity of all existing medical devices in accordance with the new MDR. The Company has been advised that due to the enormity of the number of reassessment reviews in progress, as a result, any new products being introduced within the region is taking longer than would otherwise be the case.

In response, the Company prioritised Ultralute™'s Australian Register of Therapeutic Goods (ARTG) registration with the TGA while continuing to pursue registration in the EU once certification review times improve.

Notwithstanding the changed registration environment in Europe, Cyclopharm continues to consider that market as the most prospective and commercially viable to launch Ultralute™.

OTHER BUSINESSES

Cyclopharm's European distribution business secures new contract

Cyclopharm is pleased to advise that, through its recently acquired European distribution businesses, the Company has signed a 5-year agreement with Jubilant Draximage Inc of Canada to distribute its RUBY-FILL® Generators and accessories in 14 European countries.

This new agreement demonstrates the success of the Company's strategy to pursue revenue from distributing third parties' products, following the recent acquisition of certain of the Company's European distributors. We continue to leverage our infrastructure in Europe with new distribution partnership agreements to include TEMA Sinergie based in Italy and ROTOP Pharmaka based in Germany.

Sales under the new Jubilant Draximage agreement will commence in early 2020. Subject to achieving certain sales targets, Cyclopharm anticipates the contract will contribute up to approximately €500,000 to gross annual profit before tax by FY2023.

Joint Venture - Macquarie Medical Imaging

In 2019, Macquarie Connect and CycloPet finalised their agreement to a business transfer which results in Macquarie University Hospital becoming the sole owner of imaging services provided by Macquarie Medical Imaging (MMI).

Cyclopharm continues to maintain its 20% equity ownership in MMI and will be fully released from any further obligations under its lease of premises along with the outstanding loans associated with the fit-out and equipment when all accounts payable and receivables have been finalised during the first half of 2020.

Further, Cyclopharm issued 300,000 ordinary shares in exchange for the termination of a put option to a shareholder of MMI. The termination of the put option means that Cyclopharm is no longer required to record a contingent liability in its accounts. The value of that contingent liability at 31 December 2018 was estimated not to exceed $2,838,442.

Business Venture Collaboration – CycloPet's Cyclotron Facility at Macquarie University Hospital

In December 2019, a business venture collaboration agreement between the Company, Pettech Solutions Limited a wholly owned subsidiary of the Australian Nuclear Science and Technical Organisation ('ANSTO') and Cyclotek was executed. The collaboration combines CycloPet and Pettech's cyclotron facilities under a single operating enterprise known as Cyclotek NSW.

CYC will benefit from eliminating an ongoing non-productive lease expense and gain access to a potential income stream from what was a suspended business. Additionally, outcomes from Cyclotek NSW's R&D and commercial activities will provide for additional opportunities via the international commercial rights to IP developed.

Under the Cyclotek NSW agreements, Cyclopharm estimates its total net ongoing operational expense savings will be approximately $265,000 per annum, excluding any Cyclotek NSW profit share payments.

The FY2019 financial impact resulting from both the MMI and the Cyclotron transaction announced in December 2019 has resulted in a net benefit to Cyclopharm of $667,000 for FY2019.

Ongoing Litigation

Cyclopharm continues to vigorously and successfully defend its valuable Intellectual Property. In 2017, the company recorded bad debt provisions of approximately A$540,000 related to its former General Manager and Director for the German subsidiary, Mr Bjorn Altmann and Almedis Altmann GmbH ("Almedis").

In 2019, Cyclopharm successfully brought an initial civil case against Altmann and Almedis which resulted in the Company, being awarded and receiving a payment of approximately A$339,000, which represents 100% of this claim. The company is continuing with its efforts to recover the remainder of this bad debt provision along with other claims.

Cyclopharm has also initiated additional legal proceedings against individuals based in Australia linked with Altmann. This legal action resulted in an increase in total litigation costs for the 2019 year to approximately A$1.1 million (vs FY2018 $540k), which the Company will also seek to recover.

Cyclopharm is highly confident of a successful outcome to the current legal proceedings.

Managing Director's Review
Continued

COVID-19

The global impact of the COVID-19 pandemic is unprecedented and continues to evolve. Technegas® is primarily used to diagnose the life-threatening condition Pulmonary Embolism (PE). Dyspnea or shortness of breath is a key symptom exhibited in both COVID-19 and PE.

Currently, the primary diagnostic method for determining the presence of the COVID-19 virus is a laboratory test. We are receiving reports of an increase in the use of Technegas® to differentiate between Covid-19 and Pulmonary Embolism where other first line diagnostic procedures are inconclusive.

In many markets around the world, non-essential or outpatient imaging procedures are temporarily being delayed. We believe that any delays in the use of Technegas® in noncritical procedures are short term and are expected to rebound once gathering restrictions begin to lift.

Under the NSW Essential Services Act 1988 No 41, organisations involved in the manufacture of pharmaceuticals are designated to be an essential service. Based on this designation, Cyclopharm will continue to manufacture our life saving products through these challenging times.

Summary and Outlook

2019 was a year of significant investment in the strategic priorities that will drive the next phase of Cyclopharm's growth along with finalising outstanding issues of the past. During the year, we recorded a solid underlying sales and earnings performance from our continuing operations, supporting our USFDA trials, R&D and ongoing dividends.

In 2019, $3.84 million was invested to progress USFDA regulatory approval for the use of Technegas® in the US for diagnosing PE, a market valued at US$90 million. Our USFDA Investigational New Drug (IND) trial is expected to progress whilst our 505(b)2 NDA is being assessed. Our current trial underscores the strength of or Beyond PE strategy as Technegas is being used in the trial across several indications to include lung transplants, Pulmonary Hypertension, CTEPH and acute Pulmonary Embolism. We are also continuing to pursue regulatory approvals to commence sales of Technegas® in Russia and additional European markets.

In 2019 we expanded our Quality and Regulatory team to meet the compliance requirements in both existing and future markets to include the USA. Included in our new Quality and Regulatory team are the appointments of Ms Niamh McAree Head of Quality and Regulatory and Dr Mark Doverty, as our Global Head of Regulatory Compliance and Clinical Research. Cyclopharm's quality program has made substantial continuous improvement advancements under the leadership and expertise of Niamh and Mark.

We have also filled two other vital vacancies in our management team. Ms Sally Ann Cornelius joins the Company as Head of Sales and Mr Chris Quinn has joined us as Global Service Manager. Both Sally Ann and Chris bring with them extensive experience in the global nuclear medicine and medical device industries.

We invested over $0.35 million in 'Beyond PE' pilot clinical trials to expand the use of Technegas® into the diagnosis and monitoring of severe Asthma which represents a much larger market than our current application in the Pulmonary Embolism market. We expect to see the first publication generated from this study during the first calendar half of 2020.

In 2020, the company will continue to focus on developing and enhancing its quality systems and processes, as we pursue to meet all relevant compliance benchmarks, including the USFDA and the new European Medical Device Reporting requirements. As the company progresses towards the anticipated USFDA's approval to market Technegas® in the US market, we will invest in building our inventory and sales capabilities to facilitate rapid market entry.

Managing Director's Review
Continued

The company's underlying solid financial performance and successful equity placement during December 2019 allowed the Group to maintain its healthy capital position and dividend policy. In this regard, the Final dividend was maintained at 0.5 cents per share (cps), bringing total unfranked dividends for 2019 to 1.0 cps.

I look forward to continuing to report to our shareholders our progress against our next phase growth drivers which are expected to deliver positive returns for our investors and support our strategic priorities, which remain:

1. Expanding Technegas® sales by attaining approval to distribute Technegas® in the USA in 2020;
2. Expanding the use of Technegas® beyond the traditional diagnosis of Pulmonary Embolism (PE) into significantly larger applications such as Chronic Obstructive Pulmonary Disease (COPD) and Asthma, Lung Cancer, Lung Volume Reduction and Pulmonary Hypertension for both diagnosis and ongoing patient /monitoring/management;
3. Identifying, developing and commercialising complementary innovative technology such as Ultralute™; and
4. Leveraging our core global regulatory strengths, fiscal discipline, strong balance sheet and well-developed expertise in nuclear medicine and pulmonary healthcare to seek out complementary technologies and businesses.

Finally, I thank all my colleagues, the Cyclopharm Board, with a special thanks to CYC's Chief Operating Officer Mathew Farag, who collectively have contributed to the growth of the Company over recent years. The Cyclopharm management team, with the ongoing support of the Board, 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 2019.

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.

Names, qualifications, experience and special responsibilities

Mr D J Heaney – Non Executive Chairman (Independent)
Mr Heaney was appointed to the Cyclopharm Board on 20 November 2007 and is currently the Chairman of Cyclopharm and Chairman of the Remuneration and Board Nomination Committees. Until recently, he was also Chairman of the Audit and Risk Committee.

Mr Heaney served as a non-executive director of Colorpak Limited from February 2004 until May 2016 and has also previously been a non-executive director of several other listed and non-listed companies.

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

Mr J S McBrayer – Managing Director and Company Secretary
BSPharm, GDM, FAICD, AIM
Mr McBrayer has been a member of the Board since 3 June 2008 at which time he accepted the role of Managing Director. Mr McBrayer serves as a member of the Board Nominations Committee.

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

Mr T A McDonald –Non Executive Director (Independent)
B.Com, FCPA
Mr McDonald was appointed to the Board on 3 April 2017 and has been appointed Chairman of the Audit and Risk Committee effective 1 March 2019. He holds a Bachelor of Commerce from UNSW and is a Post Graduate of University of Technology Sydney in Business Finance. He is a Fellow of CPA Australia, a member of the Australian Institute of Company Directors and an Associate with the Governance Institute Australia.

Mr McDonald served as a non-executive director of ASX-listed FE Investments Group Limited, where he was Chairman of the Audit and Risk Committee and a member of the Remunerations Committee. He has previously held senior positions with ASX-listed Allomak Limited, CK Life Sciences Int'l Inc., ASX-listed LIPA Pharmaceuticals Limited and ASX-listed Keycorp Limited.

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

DIRECTORS (CONTINUED)

Mr V R Gould – Non Executive Director (ceased on 27 November 2019)
M Com, FCA, FCPA, B Com
Mr Gould was a member of the Board commencing 21 November 2005. He was the Group Non-Executive Chairman and Chairman of the Audit and Risk, Board Nominations, and Remuneration Committees of the Group until his voluntary redesignation as a Non-Executive Director on 7 October 2016. Mr Gould remained as a member of the Audit and Risk, Board Nomination, and Remuneration Committees as from that date until his cessation on 27 November 2019 following his disqualification from serving as a director by reason of section 206B(1)(b)(ii) of the Corporations Act 2001.

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

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

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

	Interest	As at report date No. of shares	As at report date No. of options
Directors			
Mr DJ Heaney	BI	232,000	-
Mr JS McBrayer	BI	4,094,080	200,000
Mr TA McDonald	NBI	37,800	-
		4,363,880	200,000

NBI: Non beneficial interests
BI: Beneficial interest

DIVIDENDS

On 26 February 2020, the Directors declared a final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2019, to be paid on 7 April 2020 to those shareholders registered on 31 March 2020. An interim unfranked dividend of 0.5 cents per share was paid on 16 September 2019.

A final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2018 was paid on 15 April 2019.

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. 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 $2,912,440. Loss after tax from the operations of the Technegas division was $4,190,859.

Technegas divisional revenue of $14,078,801 was 5.0% higher than the previous year (2018: $13,404,222).

Technegas division Loss Before Tax of $3,170,891 recorded an unfavourable variance of $3,626,740, impacted by higher legal and professional costs of $4,121,851 (2018:$2,184,313) associated with legal actions in Germany and Australia initiated against former employees and consultancy costs incurred to ensure compliance to the most recent USFDA guidelines as well as the new International Medical Device Single Audit Program. Approximately $322,000 of retirement and severance payments were included in salaries and wages of $4,564,313 (2018:$3,947,991) while $309,000 was incurred to issue 200,000 shares in exchange for the termination of a put option to a shareholder of Macquarie Medical Imaging Pty Limited. Higher USFDA clinical trial costs totalling $3,841,534 (2018: $2,964,770) also contributed to the Technegas division Loss Before Tax.

Cyclopet recorded a Profit Before Tax of $745,948 to the group (2018: Loss Before Tax of $337,441) principally contributed by the accounting of a one-off rent abatement of $976,044 pursuant to the execution of a business transfer agreement resulting in Macquarie University taking over the operations of the imaging services provided by Macquarie Medical Imaging, an associate of Cyclopet.

Financial Position

Net assets increased to $23,203,945 at 31 December 2019 (2018: $17,015,969) assisted by gross proceeds of $9,775,000 received in connection with an institutional share placement completed in December 2019 offset by a net loss of $2,912,440.

Cashflow used in operations of $489,340 supported ongoing investment in USFDA and pilot clinical trials. Net cash balance was $12,660,323 at 31 December 2019.

Further details of Cyclopharm's Operating and Financial Review are set out on pages 5 to 12 of the Managing Director's Review.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Shares Issued during the Year

(i) 200,000 Long Term Incentive Plan shares were issued on 30 May 2019,
(ii) 539,525 Long Term Incentive Plan shares were issued on 11 December 2019,
(iii) On 18 December 2019, 300,000 ordinary shares were issued in exchange for the termination of a put option to a shareholder of Macquarie Medical Imaging Pty Ltd, an associated company of Cyclopharm, and
(iv) On 24 December 2019, 8,500,000 ordinary shares were issued at a price of $1.15 per new share in connection with an institutional share placement.

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

Options Issued during the Year

Apart from 200,000 options granted on 27 May 2019, no other options were issued and cancelled during the year.

Incorporation of Wholly Owned Subsidiaries

(i) Cyclomedica USA, LLC was incorporated as a wholly owned subsidiary of Cyclomedica Ireland Ltd on 31 May 2019, and

(ii) Cyclomedica UK Ltd was incorporated as a wholly owned subsidiary of Cyclomedica Europe Ltd on 31 October 2019.

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

FINAL DIVIDEND
On 26 February 2020, the Directors declared a final unfranked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2019, payable on 7 April 2020.

Other than the above, no matters or circumstances have arisen since the end of the financial year, not otherwise dealt with in the financial report, which significantly affected or may significantly affect the operations of the Group, financial position or the state of affairs of the Group in future financial periods.

COVID-19
The Directors have assessed the impact of Covid-19 and acknowledge that the situation is very fluid. In many markets around the world, non-essential or outpatient imaging procedures are temporarily being delayed. The Directors believe that any delays in the use of Technegas in noncritical procedures are short term and are expected to rebound once restrictions begin to lift.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

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

The Directors maintain their view that FDA approval to sell Technegas into the USA market provides Cyclopharm with the opportunity to significantly expand its sales and profitability. We anticipate a successful conclusion to the Phase 3 USFDA clinical trial of Technegas with approval for sales in 2020, targeting USA commercialisation in 2021. As the USFDA approval process moves forward, the Directors advise that additional expenditure on the USFDA trials will continue to be expensed until approval is achieved.

Molecular Imaging
In December 2019, a business venture collaboration agreement between the Company, Pettech Solutions Limited a wholly owned subsidiary of the Australian Nuclear Science and Technical Organisation ('ANSTO') and Cyclotek was executed. The collaboration combines CycloPet and Pettech's cyclotron facilities under a single operating enterprise known as Cyclotek NSW.

Cyclopharm will benefit from eliminating an ongoing non-productive lease expense and gain access to a potential income stream from what was a suspended business. Additionally, outcomes from Cyclotek NSW's R&D and commercial activities will provide for additional opportunities via the international commercial rights to IP developed.

Ultralute™
The Company has prioritised Ultralute™'s Australian Register of Therapeutic Goods (ARTG) registration with the TGA while continuing to pursue registration in the European Union once certification review times improve. Further details are set out on page 11 of the Managing Director's Review.

MATERIAL BUSINESS RISKS

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

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

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

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

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

Reputation
The performance of the 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 the Cyclopharm Group's reputation as a supplier of these products. Technegas has had no contraindications or adverse patient events since the commencement of sales.

COVID-19
In many markets around the world, non-essential or outpatient imaging procedures are temporarily being delayed. The Directors believe that any delays in the use of Technegas in noncritical procedures are short term and are expected to rebound once restrictions begin to lift.

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 except for a forward exchange contract entered into on 14 July 2017 and fully settled on 15 January 2019 for anticipated payments in relation to the USFDA trials. Other than the aforementioned US$ contract related to the USFDA trials, 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.

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

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

The manufacture of Technegas does not involve the emission of any environmentally sensitive materials and the Cyclopharm Group is not required to hold any environmental licence or consent under the *Environmental Protection Act* (Cth). However, in order to expand the Company's research and

development capabilities, in 2018, Cyclopharm secured a Radiation Management Licence from the NSW EPA to sell, possess or store regulated materials.

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

The Cyclopharm Group has obtained:

- a listing on the Australian Register of Therapeutic Goods Register for the Technegas generator and the patient administration set (radio-aerosol set);
- two separate CE Mark approvals for the device elements TechnegasPlus Technegas Generator and patient administration set (PAS) of the Technegas System in EU;
- a marketing authorisation for the Pulmotec carbon crucible, which is the drug (medicine) aspect of Technegas in EU; and
- a Medical Device Single Assessment Program (MDSAP) certificate and operates a Quality Management System which has been assessed as complying complies with the requirements of ISO13485:2016 for the design, manufacture, installation and repair service of the Technegas System.

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

Audits of the Kingsgrove manufacturing premises by the Therapeutic Goods Administration along with other regulatory agencies and notified bodies required to market Technegas have been successfully completed in 2019.

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

Intellectual Property Rights

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

Patents

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

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

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

ENVIRONMENTAL REGULATIONS

Cyclopet Pty Limited, a member of the consolidated group's operations is subject to significant environmental regulations under the Radiation Control Act, 1990 by the Department of Environment,

Climate Change and Water. The Board believe that the consolidated group has adequate systems in place for the management of its environmental requirements as they apply to the consolidated group.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

1. the liability does not arise from conduct involving a lack of good faith; or

2. the liability is for costs and expenses incurred by the Director or Officer in defending proceedings save as not permitted by law.

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

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

The total amount of insurance contract premiums paid for the year ending 31 December 2020 is $31,397 (for the year ended 31 December 2019: $25,761).

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 35.

Fees of $38,784 (2018: $28,619) have been paid for share registry services and fees of $15,448 (2018: $10,901) for taxation services to an associate of Nexia Sydney Audit Pty Ltd for the year ended 31 December 2018 for non-audit related services. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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

Directors' Report
Continued

REMUNERATION REPORT (AUDITED)

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

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

Director and Executive Remuneration Table

	Short-term employee benefits			Post employment benefits	Other Long-term benefits	Share-based payment	Total	Performance related
Consolidated	Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Superannuation $	$	$	$	%
2019								
Directors								
David Heaney Non-Executive Director	72,709	-	-	-	-	-	**72,709**	0%
Vanda Gould * Non-Executive Director	47,303	-	-	-	-	-	**47,303**	0%
Tom McDonald Non-Executive Director	51,935	-	-	-	-	-	**51,935**	0%
Executive Director								
James McBrayer ** Managing Director	341,198	50,000	-	35,929	6,616	319,618	**753,361**	49%
Total Directors' Compensation	**513,145**	**50,000**	**-**	**35,929**	**6,616**	**319,618**	**925,308**	**40%**

* Mr Gould ceased as a member of the Board on 27 November 2019 following his disqualification from serving as a director by reason of section 206B(1)(b)(ii) of the Corporations Act 2001.

** Mr McBrayer is employed on a rolling contract and his bonus, up to a maximum of $50,000, is based on achieving certain benchmarks and targets, which in the absence of any formal agreement will default to achieving the budgeted underlying operating EBITDA approved by the Board of Directors effective 2017.

Director and Executive Remuneration Table

	Short-term employee benefits			Post employment benefits	Other Long-term benefits	Share-based payment	Total	Performance related
Consolidated	Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Superannuation $	$	$	$	%
2019								
Key Management Personnel								
Mathew Farag Chief Operating Officer	269,858	30,000	-	28,487	-	40,200	**368,545**	19%
Total Key Management Personnel's Compensation	**269,858**	**30,000**	**-**	**28,487**	**-**	**40,200**	**368,545**	**19%**
Total Compensation	**783,003**	**80,000**	**-**	**64,416**	**6,616**	**359,818**	**1,293,853**	**34%**

Director and Executive Remuneration Table

	Short-term employee benefits			Post employment benefits	Other Long-term benefits	Share-based payment	Total	Performance related
Consolidated	Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Superannuation $	$	$	$	%
2018								
Directors								
David Heaney Non-Executive Director	71,400	-	-	-	-	-	**71,400**	0%
Vanda Gould Non-Executive Director	51,000	-	-	-	-	-	**51,000**	0%
Tom McDonald Non-Executive Director	51,000	-	-	-	-	-	**51,000**	0%
Executive Director								
James McBrayer * Managing Director	334,804	50,000	-	35,367	5,371	-	**425,542**	12%
Total Directors' Compensation	**508,204**	**50,000**	**-**	**35,367**	**5,371**	**-**	**598,942**	**8%**

* Mr McBrayer is employed on a rolling contract and his bonus, up to a maximum of $50,000, is based on achieving certain benchmarks and targets, which in the absence of any formal agreement will default to achieving the budgeted underlying operating EBITDA approved by the Board of Directors effective 2017.

Director and Executive Remuneration Table

	Short-term employee benefits			Post employment benefits	Other Long-term benefits	Share-based payment	Total	Performance related
Consolidated	Salary & Fees $	Cash Bonus $	Non-monetary benefits $	Superannuation $	$	$	$	%
2018								
Key Management Personnel								
Mathew Farag Chief Operating Officer	252,300	27,000	-	26,533	-	27,450	**333,283**	16%
Total Key Management Personnel's Compensation	**252,300**	**27,000**	**-**	**26,533**	**-**	**27,450**	**333,283**	**16%**
Total Compensation	**760,504**	**77,000**	**-**	**61,900**	**5,371**	**27,450**	**932,225**	**11%**

Cyclopharm Limited

Details of Managing Director and Key Management Personnel's Share-based payments 2019

Name	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable - limited recourse loan	Term	Expiry date	Performance Hurdle
Mathew Farag	225,000	$0.196	$0.900	$202,500	3 years	18/4/2020	Continuous employment with the Cyclopharm Group until 22 January 2020
Mathew Farag	250,000	$0.153	$1.550	$387,500	3 years	1/7/2021	Approval of Technegas' use and distribution in the United States by the United States Food and Drug Administration ("USFDA")
Mathew Farag	250,000	$0.153	$1.550	$387,500	3 years	1/7/2021	Continuous employment with the Cyclopharm Group until 31 March 2021
Other non-Key Management Personnel	200,000	$0.318	$1.500	$300,000	2 years	29/5/2021	The USFDA has approved the use and distribution of Technegas in the United States and continuous employment with the Cyclopharm Group until 23 May 2021
James McBrayer (options)	200,000	$1.310	$0.000	$0	6 years	31/7/2025	The Company receiving approval from the USFDA for the distribution of Technegas products in the United States
James McBrayer	269,614	$1.065	$0.000	$0	2.41 years	9/5/2022	Held in a holding lock until the outstanding Financial Assistance on the Issued Shares issued on 13 July 2015 has been repaid in full on or before 9 May 2022.
James McBrayer	269,911	$1.065	$0.000	$0	N/A	N/A	Shares are fully vested and tradeable immediately
	1,664,525			**$1,277,500**			

Vested but unexercised during the year

James McBrayer	1,721,554	$0.061	$0.900	$1,549,399	5 years	9/5/2022	
Other non-Key Management Personnel	96,408	$0.061	$0.900	$86,767	5 years	31/8/2022	
Other non-Key Management Personnel	106,000	$0.270	$1.200	$127,200	5 years	25/7/2023	
	1,923,962			**$1,763,366**			

Cyclopharm Limited

Details of Managing Director and Key Management Personnel's Share-based payments 2018

Name	Number of LTIP shares granted	Fair Value at grant date	Exercise price per LTIP share scheme	Amount payable - limited recourse loan	Term	Expiry date	Performance Hurdle
Mathew Farag	225,000	$0.196	$0.900	$202,500	3 years	18/4/2020	Continuous employment with the Cyclopharm Group until 22 January 2020
Mathew Farag	250,000	$0.153	$1.550	$387,500	3 years	1/7/2021	Approval of Technegas' use and distribution in the United States by the United States Food and Drug Administration
Mathew Farag	250,000	$0.153	$1.550	$387,500	3 years	1/7/2021	Continuous employment with the Cyclopharm Group until 31 March 2021
	725,000			**$977,500**			
Vested but unexercised during the year							
James McBrayer	1,721,554	$0.061	$0.900	$1,549,399	5 years	9/5/2022	
Other non-Key Management Personnel	96,408	$0.061	$0.900	$86,767	5 years	31/8/2022	
Other non-Key Management Personnel*	106,000	$0.270	$1.200	$127,200	5 years	25/7/2023	
	1,923,962			**$1,763,366**			

* Shares vested during the current financial year.

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 2018	Granted under long term incentive schemes	On market purchases	Cessation as director	31 December 2019
		No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Directors						
Mr DJ Heaney	BI	200,000	-	-	-	200,000
Mr VR Gould[1]	NBI	12,241,314	-	19,412	(12,260,726)	-
Mr JS McBrayer	BI	3,554,555	539,525	-	-	4,094,080
Mr TA McDonald	NBI	19,830	-	14,970	-	34,800
		16,015,699	539,525	34,382	(12,260,726)	4,328,880
Key Management Personnel						
Mr M Farag	BI	725,000	-	-	-	725,000

NBI: Non beneficial interests

BI: Beneficial interest

[1] Mr Gould ceased as a member of the Board on 27 November 2019 following his disqualification from serving as a director by reason of section 206B(1)(b)(ii) of the Corporations Act 2001.

	31 December 2018 No. of options	Granted No. of options	31 December 2019 No. of options
Directors			
Mr JS McBrayer	-	200,000	200,000

Remuneration Committee

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

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 2019 when Shareholders approved an aggregate remuneration increase from $225,000 to $250,000 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.

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 13 May 2008. Mr McBrayer's remuneration for 2019 and 2018 is disclosed in the tables on pages 21 and 23. Under the terms of the present contract:

- Each year from 1 January, on 31 December Mr McBrayer may be entitled to receive additional amounts up to a maximum of $50,000 based on achieving certain benchmarks and targets, which in the absence of any formal agreement will default to achieving the budgeted underlying operating EBITDA approved by the Board of Directors effective 2017 (previously Profit After Tax). This amount is entirely performance based and seeks to strengthen the alignment of the Managing Director's interests with those of the Company's shareholders.
- Mr McBrayer may resign from his position and thus terminate this contract by giving 6 months written notice unless a mutually agreeable date can be agreed upon.
- The Company may terminate this employment agreement by providing 6 months written notice or providing payment in lieu of the notice period.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.
- Mr McBrayer is entitled to receive strictly limited recourse loans under the Company's LTIP to purchase shares.
- On 1 September 2014, two strictly limited recourse loans were made to Mr McBrayer under the Company's LTIP to purchase shares for a period of 2 years. The first loan was to enable the purchase of 861,728 shares at the price of 22 cents per share and the second loan was to enable the purchase of 861,728 shares at the price of 25 cents per share. On 26 May 2015, shareholders approved the performance hurdles to be "Employment as Managing Director for 2 years commencing on 15 May 2013." The LTIP shares vested on 26 May 2015, the date of the 2015 Annual General Meeting ("AGM") given that it was more than 2 years since the 2013 AGM which was held on 15 May 2013. The loans amounting to $353,308 were fully repaid by Mr McBrayer in August 2018.
- On 13 July 2015, a strictly limited recourse loan was made to Mr McBrayer under the Company's LTIP to purchase shares for a period of 2 years. The loan was to enable the purchase of 1,721,554 shares at the price of 90 cents per share. The LTIP shares vested on 9 May 2017, the date of the 2017 AGM.
- On 9 May 2017, Mr McBrayer exercised his rights to purchase 1,721,554 LTIP shares and the Company extended a loan totalling $1,549,398.60 for the purchase of the Plan Shares. The loan is repayable in full within 5 years.
- As approved by shareholders at the May 2019 AGM, 200,000 options were granted on 27 May 2019 and 539,525 ordinary shares were issued in accordance with the Company's Long Term Incentive Plan on 11 December 2019 to Mr McBrayer.

Other Executives (standard contracts)

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

Related Parties

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

End of Remuneration Report

Directors' Report
Continued

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:

Director	Cyclopharm Board Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended	No. of Meetings Eligible to Attend	No. of Meetings Attended
Mr D J Heaney	8	8	3	3	2	2
Mr V R Gould *	7	5	2	2	2	2
Mr J M McBrayer	8	8	-	-	-	-
Mr T A McDonald	8	8	3	3	2	2

* Mr Gould ceased as a Director on 27 November 2019.

SHARE OPTIONS

200,000 share options are in issue as at year end.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

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

James McBrayer
Managing Director and CEO

Sydney, 31 March 2020

Auditor's Independence Declaration

The Board of Directors
Cyclopharm Limited
Unit 4, 1 The Crescent
Kingsgrove NSW 2208

To the Board of Directors of Cyclopharm Limited

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

As lead audit director for the audit of the financial statements of Cyclopharm Limited for the year ended 31 December 2019, 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

Andrew Hoffmann
Director

Sydney

Dated: 31 March 2020

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Consolidated Statement of Profit or Loss And Other Comprehensive Income

for the year ended 31 December 2019

		Consolidated	
		2019	2018
	Notes	$	$
CONTINUING OPERATIONS			
Sales revenue	5	14,078,801	13,404,222
Finance revenue	5	25,513	103,411
Other revenue	5	2,934,187	2,122,351
Total revenue		**17,038,501**	**15,629,984**
Cost of materials and manufacturing	5a	(2,908,664)	(2,965,588)
Employee benefits expense	5e	(5,475,889)	(4,457,135)
Advertising and promotion expense		(235,463)	(319,148)
Depreciation and amortisation expense	5c	(999,939)	(510,230)
Freight and duty expense		(409,155)	(436,340)
Research and development expense	5d	(4,192,577)	(3,219,385)
Administration expense	5f	(5,747,946)	(4,040,894)
Reversal of contingent consideration		-	313,922
Other income	5g	786,448	149,351
(Loss) / Profit before tax and finance costs		**(2,144,684)**	**144,537**
Finance costs	5b	(280,259)	(26,129)
(Loss) / Profit before income tax		**(2,424,943)**	**118,408**
Income tax	6	(487,497)	(153,864)
Loss for the year		**(2,912,440)**	**(35,456)**
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)		(11,273)	62,230
Total comprehensive (loss) / income for the year		**(2,923,713)**	**26,774**
Loss per share (cents per share)	7	**cents**	**cents**
-basic loss per share from continuing operations		(4.28)	(0.05)
-basic loss per share		(4.28)	(0.05)
-diluted loss per share		(4.28)	(0.05)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019

		Consolidated	
		2019	2018
	Notes	$	$
Assets			
Current Assets			
Cash and cash equivalents	8	12,660,323	5,854,959
Trade and other receivables	9	3,979,595	6,247,065
Inventories	10	2,495,443	2,771,546
Current tax asset	6	225,585	78,377
Derivative - forward exchange contract		-	274,904
Other assets		249,674	227,599
Total Current Assets		**19,610,620**	**15,454,450**
Non-current Assets			
Property, plant and equipment	11	2,070,854	2,468,406
Right-of-use assets	12	4,207,931	-
Investments	13	-	-
Intangible assets	14	5,145,349	4,570,344
Deferred tax assets	6	1,493,663	1,043,521
Total Non-current Assets		**12,917,797**	**8,082,271**
Total Assets		**32,528,417**	**23,536,721**
Liabilities			
Current Liabilities			
Trade and other payables	15	2,632,362	3,599,465
Interest bearing loans and borrowings	16	-	58,985
Lease liabilities	17	172,582	61,592
Provisions	18	652,254	855,517
Tax liabilities	6	22,932	643,644
Total Current Liabilities		**3,480,130**	**5,219,203**
Non-current Liabilities			
Trade and other payables	15	-	336,864
Lease liabilities	17	4,749,883	-
Provisions	18	23,023	300,609
Deferred tax liabilities	6	277,568	517
Deferred income liabilities	19	793,868	663,559
Total Non-current Liabilities		**5,844,342**	**1,301,549**
Total Liabilities		**9,324,472**	**6,520,752**
Net Assets		**23,203,945**	**17,015,969**
Equity			
Contributed equity	20	31,576,003	21,905,035
Employee equity benefits reserve	29	1,041,373	663,005
Foreign currency translation reserve	29	(552,244)	(540,971)
Accumulated losses		(8,861,187)	(5,011,100)
Total Equity		**23,203,945**	**17,015,969**

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 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Operating activities			
Receipts from customers		15,509,819	14,137,456
Payments to suppliers and employees		(19,866,221)	(16,437,006)
Interest received		25,513	103,411
Borrowing costs paid		(280,259)	(26,129)
Income tax received		4,121,808	1,114,933
Net cash flows used in operating activities	8	**(489,340)**	**(1,107,335)**
Investing activities			
Payment of deferred consideration on acquisition of subsidiary		(343,209)	(680,967)
Cash acquired upon acquisition of subsidiary		-	86,830
Purchase of property, plant and equipment		(38,198)	(206,098)
Payments for intangible assets		(439,084)	(602,878)
Net cash flows used in investing activities		**(820,491)**	**(1,403,113)**
Financing activities			
Proceeds from issue of shares		9,775,000	-
Share issue cost (net of tax)		(413,032)	-
Settlement of loan for Long Term Incentive Plan Shares		-	353,308
Dividends paid		(660,501)	(651,472)
Repayment of bank borrowings		(58,985)	(54,289)
Payment for lease liabilities (AASB 16)		(551,229)	-
Net cash flows from / (used in) financing activities		**8,091,253**	**(352,453)**
Net increase / (decrease) in cash and cash equivalents		**6,781,422**	**(2,862,901)**
Cash and cash equivalents			
- at beginning of the period		**5,854,959**	**8,689,676**
- net foreign exchange differences from translation of cash and cash equivalents		23,942	28,184
- at end of the year	8	**12,660,323**	**5,854,959**

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 2019

CONSOLIDATED	Contributed Equity $	Other Contributed Equity $	Total Contributed Equity $	Retained Earnings / (Accumulated Losses) $	Foreign Currency Translation Reserve (Note 29(b)) $	Employee Equity Benefits Reserve (Note 29(a)) $	Total $
Balance at 1 January 2018	**26,884,885**	**(5,333,158)**	**21,551,727**	**(4,324,172)**	**(603,201)**	**625,038**	**17,249,392**
Loss for the year	-	-	-	(35,456)	-	-	(35,456)
Other comprehensive loss	-	-	-	-	62,230	-	62,230
Total comprehensive loss for the year	**-**	**-**	**-**	**(35,456)**	**62,230**	**-**	**26,774**
Payment of loan for Long Term Incentive Plan shares	353,308	-	353,308	-	-	-	353,308
Dividends paid	-	-	-	(651,472)	-	-	(651,472)
Cost of share based payments	-	-	-	-	-	37,967	37,967
Total transactions with owners and other transfers	**353,308**	**-**	**353,308**	**(651,472)**	**-**	**37,967**	**(260,197)**
	-	-	-	-	-	-	-
Balance at 31 December 2018	**27,238,193**	**(5,333,158)**	**21,905,035**	**(5,011,100)**	**(540,971)**	**663,005**	**17,015,969**
Balance at 1 January 2019	**27,238,193**	**(5,333,158)**	**21,905,035**	**(5,011,100)**	**(540,971)**	**663,005**	**17,015,969**
Adjustment for change in accounting policy (note 2)	-	-	-	(277,146)	-	-	(277,146)
Restated balance at 1 January 2019	**27,238,193**	**(5,333,158)**	**21,905,035**	**(5,288,246)**	**(540,971)**	**663,005**	**16,738,823**
Loss for the year	-	-	-	(2,912,440)	-	-	(2,912,440)
Other comprehensive loss	-	-	-	-	(11,273)	-	(11,273)
Total comprehensive loss for the year	**-**	**-**	**-**	**(2,912,440)**	**(11,273)**	**-**	**(2,923,713)**
Issue of shares	10,084,000	-	10,084,000	-	-	-	10,084,000
Share issue cost (net of tax)	(413,032)	-	(413,032)	-	-	-	(413,032)
Dividends paid	-	-	-	(660,501)	-	-	(660,501)
Cost of share based payments	-	-	-	-	-	378,368	378,368
Total transactions with owners and other transfers	**9,670,968**	**-**	**9,670,968**	**(660,501)**	**-**	**378,368**	**9,388,835**
Balance at 31 December 2019	**36,909,161**	**(5,333,158)**	**31,576,003**	**(8,861,187)**	**(552,244)**	**1,041,373**	**23,203,945**

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

1. CORPORATE INFORMATION

The financial report of Cyclopharm Limited ("Cyclopharm" or "the Company") for the year ended 31 December 2019 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.

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 adopted the following Australian Accounting Standards (new and amended) from the mandatory application date of 1 January 2019.

AASB 16: Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 Leases and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However Loss before tax, depreciation and finance results reduces as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and Amended Accounting Standards and Interpretations adopted by the Group (continued)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption as at 1 January 2019 was as follows:

	1 January 2019 $'000
Operating lease commitments as at 1 January 2019 (AASB 117)	3,308
Finance lease commitments as at 1 January 2019 (AASB 117)	62
	3,370
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4.5% (AASB 16) *	2,313
Short-term leases not recognised as right-of-use assets (AASB 16)	(73)
Different treatment of options	3,001
	5,241
Lease liability - current	655
Lease liability - non-current	4,586
Plant and equipment - right-of-use-asset	4,652

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use assets	Increase	4,652
Property, plant & equipment	Decrease	(214)
Net deferred tax assets	Increase	80
Lease liabilities	Increase	(5,241)
Lease incentive	Decrease	287
Make good liability	Decrease	159
Accumulated losses net impact	Decrease	277

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.

* This includes the impact of assessing the lease term under AASB16 in determining the reduction in opening retained profits as at 1 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and Amended Accounting Standards and Interpretations adopted by the Group (continued)

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.

Interpretation 23: Uncertainty over Income Tax Treatments

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments.

Consequential amendments are made to AASB 1 First-time Adoption of Australian Accounting Standards as a result of Interpretation 23 by AASB 2017-4.

The adoption of this Interpretation does not have a material impact on the Group's financial statements.

AASB 2017-6: Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation.

This Standard amends AASB 9 to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature.

The adoption of AASB 2017-6 does not have a material impact on the Group's financial statements.

AASB 2017-7: Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

The adoption of this Standard does not have a material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New Accounting Standards and Interpretations Not Yet Adopted

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

Applicable to annual reporting periods beginning on or after 1 January 2022:

AASB 2014-10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

Amend AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2022 by AASB 2017-5.

These new and amended Standards are not expected to have a significant impact on the Group'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 2019. All subsidiaries have a reporting date of 31 December.

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Parent has control.
The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Transactions eliminated on consolidation

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Exchange differences arising on the translation of monetary items are recognised in the Statement of 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 Inter Commerce Medical bvba, is European Euro (Euro €), Medicall Analys AB is Swedish Kroner (SEK) and Cyclomedica Canada Limited is Canadian dollars (Can $).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income tax

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

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

Tax consolidation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

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

Depreciation

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

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

	Basis	Method
Plant and equipment	5 - 33%	Straight-line method
Leasehold Improvements	20 - 50%	Straight-line method
Motor vehicles	20 - 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.

h) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

	Basis	**Method**
	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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) 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.

r) Other Revenue

Interest

Revenue is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Research & Development Tax Incentive

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) 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.

t) Financial instruments

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

Loans and receivables

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

Derivative financial instruments

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

De-recognition of financial instruments

Financial liabilities

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

Impairment of financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Contributed equity

Share capital

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

Other contributed equity

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

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

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

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

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

The consideration for the minority interests of the controlled entities and costs of acquisition have been charged to other contributed equity in accordance with *AASB 127 Consolidated and Separate Financial Statements*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) 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.

w) 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.

x) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Recent negotiations with other parties to establish a new business have concluded with the Company entering into a Business Venture Collaboration Agreement with Cyclotek Australia Pty Ltd and Pettech, a wholly owned subsidiary of ANSTO. In parallel the Company entered into a Business Sale Transfer agreement for the operations conducted at the Company's Cyclotron facility located at Macquarie University Hospital.

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

Useful lives of property, plant and equipment

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

Lease term

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

Incremental borrowing rate

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payment transactions

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

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. Refer to Note 27 for details of the Company's Share Based Payment Plan.

Key Judgements

Taxation

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

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all 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 2019		
	Technegas	Molecular Imaging	Total
Segments	**$**	**$**	**$**
Type of goods or service			
Sales of equipment and consumables	12,774,045	-	12,774,045
After sales services	1,304,756	-	1,304,756
Total revenue from contracts with customers	**14,078,801**	**-**	**14,078,801**
Geographical markets			
Asia Pacific	2,313,912	-	2,313,912
Europe	8,742,760	-	8,742,760
Canada	2,558,344	-	2,558,344
Other	463,785	-	463,785
Total revenue from contracts with customers	**14,078,801**	**-**	**14,078,801**
Timing of revenue recognition			
Goods transferred at a point in time	13,840,520	-	13,840,520
Services transferred over time	238,281	-	238,281
Total revenue from contracts with customers	**14,078,801**	**-**	**14,078,801**

	For the period ended 31 December 2018		
	Technegas	Molecular Imaging	Total
Segments	**$**	**$**	**$**
Type of goods or service			
Sales of equipment and consumables	12,411,070	-	12,411,070
After sales services	993,152	-	993,152
Total revenue from contracts with customers	**13,404,222**	**-**	**13,404,222**
Geographical markets			
Asia Pacific	2,662,870	-	2,662,870
Europe	8,348,476	-	8,348,476
Canada	2,145,411	-	2,145,411
Other	247,465	-	247,465
Total revenue from contracts with customers	**13,404,222**	**-**	**13,404,222**
Timing of revenue recognition			
Goods transferred at a point in time	13,164,161	-	13,164,161
Services transferred over time	240,061	-	240,061
Total revenue from contracts with customers	**13,404,222**	**-**	**13,404,222**

There are no impairment losses on receivables and contract assets arising from contracts with customers.

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.

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 2019 and 31 December 2018.

Geographical segments

The tables under the heading geographical segment present revenue and asset information regarding geographical segments for the years ended 31 December 2019 and 31 December 2018.

4. SEGMENT REPORTING (continued)

Business Segments

For the year ended	Technegas	Consolidated Molecular Imaging	Total
31 December 2019	**$**	**$**	**$**
Revenue			
Sales to external customers	14,078,801	-	14,078,801
Finance revenue	23,980	1,533	25,513
Other revenue	2,934,187	-	2,934,187
Total revenue	**17,036,968**	**1,533**	**17,038,501**
Result			
(Loss) / profit before tax and finance costs	**(2,903,095)**	**758,411**	**(2,144,684)**
Finance costs	(267,796)	(12,463)	(280,259)
(Loss) / profit before income tax	**(3,170,891)**	**745,948**	**(2,424,943)**
Income tax	(1,019,968)	532,471	(487,497)
(Loss) / profit after income tax	**(4,190,859)**	**1,278,419**	**(2,912,440)**
Assets and liabilities			
Segment assets	31,172,974	1,355,443	32,528,417
Segment asset increases for the period :			
- capital expenditure	238,446	-	238,446
Segment liabilities	(9,287,959)	(36,513)	(9,324,472)
Other segment information			
Depreciation and amortisation	(737,653)	(262,286)	(999,939)

AASB 16 was adopted using the modified retrospective approach as such the comparatives have not been restated. Therefore, the current and comparative Loss before tax, depreciation and finance costs are not directly comparable.

4. SEGMENT REPORTING (continued)

Business Segments (continued)

For the year ended 31 December 2018	Consolidated		
	Technegas	Molecular Imaging	Total
	$	$	$
Revenue			
Sales to external customers	13,404,222	-	13,404,222
Finance revenue	101,870	1,541	103,411
Other revenue	2,122,351	-	2,122,351
Total revenue	**15,628,443**	**1,541**	**15,629,984**
Result			
Profit / (loss) before tax and finance costs	**479,301**	**(334,764)**	**144,537**
Finance costs	(23,452)	(2,677)	(26,129)
Profit / (loss) before income tax	**455,849**	**(337,441)**	**118,408**
Income tax expense	(180,631)	26,767	(153,864)
Profit / (loss) after income tax	**275,218**	**(310,674)**	**(35,456)**
Assets and liabilities			
Segment assets	20,664,136	2,872,585	23,536,721
Segment asset increases for the period :			
- capital expenditure	279,143	-	279,143
Segment liabilities	(5,476,181)	(1,044,571)	(6,520,752)
Other segment information			
Depreciation and amortisation	(510,174)	(56)	(510,230)

4. SEGMENT REPORTING (continued)

Geographical Segments

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2019	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	2,313,912	8,742,760	2,558,344	463,785	14,078,801
Finance revenue	15,893	9,620	-	-	25,513
Other revenue	2,934,187	-	-	-	2,934,187
Total segment revenue	**5,263,992**	**8,752,380**	**2,558,344**	**463,785**	**17,038,501**
Assets					
Segment assets	24,608,560	7,007,539	912,318	-	32,528,417

	Consolidated				
For the year ended	**Asia Pacific**	**Europe**	**Canada**	**Other**	**Total**
31 December 2018	**$**	**$**	**$**	**$**	**$**
Revenue					
Sales to external customers	2,662,870	8,348,476	2,145,411	247,465	13,404,222
Finance revenue	103,316	95	-	-	103,411
Other revenue	2,122,351	-	-	-	2,122,351
Total segment revenue	**4,888,537**	**8,348,571**	**2,145,411**	**247,465**	**15,629,984**
Assets					
Segment assets	16,025,379	6,686,068	825,274	-	23,536,721

5. REVENUES AND EXPENSES

	Notes	Consolidated 2019 $	Consolidated 2018 $
Revenue			
Sales revenue		14,078,801	13,404,222
Finance revenue - Interest received from other parties		25,513	103,411
Other Revenue			
R&D Tax incentive refund		2,934,187	2,122,351
Total other revenue		2,934,187	2,122,351
(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		2,908,664	2,965,588
b) Finance costs			
Interest paid on loans from external parties		46,868	26,129
Interest on leased assets (AASB 16)		233,391	-
Total finance costs		**280,259**	**26,129**
c) Depreciation and amortisation			
Depreciation of plant and equipment		122,283	144,358
Depreciation of leasehold improvements		222,337	275,757
Depreciation of leased assets (AASB 16)		551,229	-
Amortisation of intangibles		104,090	90,115
		999,939	510,230
d) Research & development expense			
FDA expenses		3,841,534	2,964,770
Pilot Clinical Trial expenses		350,844	251,301
Research expenses		199	3,314
		4,192,577	3,219,385
e) Employee benefits expense			
Salaries and wages		4,564,313	3,947,991
Defined contribution superannuation expense		361,261	297,777
Non-Executive Director fees		171,947	173,400
Share-based payments expense	27a	378,368	37,967
		5,475,889	4,457,135
f) Administration expense			
Legal and professional costs		4,121,851	2,184,313
Office and facility costs		900,579	707,308
Provision for / (Reversal of) doubtful debts		17,534	(122,220)
Operating lease expenses		-	718,351
Travel and motor vehicle costs		707,982	553,142
		5,747,946	4,040,894
g) Other (income) / expense			
Realised Foreign exchange gains		(54,171)	(86,574)
Unrealised Foreign exchange gains		(100,275)	(277,724)
Recoveries from litigation		(338,908)	-
Costs of terminating put option		309,000	-
Rent waiver from landlord of cyclotron facility		(976,044)	-
Other		373,950	214,947
		(786,448)	(149,351)

6. INCOME TAX

	2019	2018
	$	$
The components of income tax expense comprise:		
Current income tax expense	(423,756)	(98,216)
Deferred tax expense	(63,741)	(55,648)
	(487,497)	**(153,864)**
A reconciliation of income tax expense applicable to accounting (loss) / profit 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) / profit before income tax	**(2,424,943)**	**118,408**
Statutory income tax rate of 27.5% (2018: 27.5%)	666,859	(32,562)
Effects of lower rates on overseas income	197,077	161,606
Expenditure not allowable for income tax purposes	(2,093,312)	(2,130,823)
Non-assessable income	806,901	1,195,552
Overprovsion of previous years	-	709,074
Temporary differences reversed in Australian group	(64,132)	(55,554)
Temporary differences recognised overseas	391	94
Tax losses not recognised overseas	(1,281)	(1,251)
Total income tax expense	**(487,497)**	**(153,864)**
Effective income tax rate	20.1%	(129.9%)
Current income tax asset	**225,585**	**78,377**
Current income tax liability	**22,932**	**643,664**
Deferred tax relating to capital raising costs, credited directly to equity	**156,668**	**-**
Deferred tax assets		
Deferred tax assets from temporary differences on:		
Investments	1,110,124	402,139
Provisions and accruals	24,195	458,584
Other	359,344	182,798
Total deferred tax assets	**1,493,663**	**1,043,521**
Movements in deferred tax assets		
Opening balance	1,043,521	1,098,949
Adjustment on adopting AASB 16 Leases	80,164	-
Temporary differences brought to account (reversed)	369,978	(55,428)
Closing balance	**1,493,663**	**1,043,521**
Deferred tax liabilities		
Deferred tax liabilities from temporary differences on:		
Investments	277,568	-
Provisions and accruals	-	517
Total deferred tax liabilities	**277,568**	**517**
Movements in deferred tax liabilities		
Opening balance	517	549
Temporary differences brought to account (reversed)	277,051	(32)
Closing balance	**277,568**	**517**
Deferred tax assets for which no benefit has been recognised:		
- arising from temporary differences - at 27.5%	826,669	873,948
- arising from capital tax losses - at 27.5%	21,686	21,686

7. NET TANGIBLE ASSETS AND LOSS PER SHARE

Net Tangible Assets per share

	Consolidated	
	2019	2018
	$	$
Net assets per share	0.30	0.25
Net tangible assets per share	0.23	0.18
	Number	Number
Number of ordinary shares for net assets per share	78,238,398	68,698,873
	2019	2018
	$	$
Net assets	23,203,945	17,015,969
Net tangible assets	18,058,596	12,445,625

The number of ordinary shares includes the effects of 539,525 Long Term Incentive Performance ('LTIP') shares issued on 11 December 2019, 200,000 LTIP shares issued on 30 May 2019 (2018: 500,000 Long Term Incentive Performance shares issued on 2 July 2018) and excludes 55,443 expired LTIP shares cancelled on 8 October 2018 as set out in Note 20.

Loss per share

	Consolidated	
	2019	2018
	cents	cents
Basic loss per share for continuing operations	(4.28)	(0.05)
Basic loss per share	(4.28)	(0.05)
Diluted loss per share	(4.28)	(0.05)
	Number	Number
Weighted average number of ordinary shares for basic loss per share	68,121,079	67,973,873
Weighted average number of ordinary shares for diluted loss per share	68,121,079	67,973,873
	2019	2018
	$	$
Loss used to calculate basic earnings per share	(2,912,440)	(35,456)
Loss used to calculate diluted earnings per share	(2,912,440)	(35,456)

The weighted average number of ordinary shares for basic loss per share excludes the effects of 269,911 LTIP shares issued on 11 December 2019, 200,000 LTIP shares issued on 30 May 2019, 500,000 LTIP shares issued on 2 July 2018 and 225,000 LTIP shares issued on 19 April 2017 set out in Note 20 as they are contingently returnable.

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	$	$
Cash at bank and in hand	12,660,323	5,854,959
Total cash and cash equivalents	**12,660,323**	**5,854,959**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

The fair value of cash equivalents is $12,660,323 (2018: $5,854,959).

Reconciliation of Statement of Cash Flows	2019	2018
	$	$
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	12,660,323	5,854,959
	12,660,323	**5,854,959**
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss after tax	**(2,912,440)**	**(35,456)**
Adjustments for non-cash income and expense items:		
Depreciation	895,849	420,115
Amortisation	104,090	90,115
Property, plant and equipment written off	213,548	-
Cost of terminating put option	309,000	-
Movement in intangible assets	-	(1,290,551)
Movement provision for employee benefits	(194,502)	(86,832)
Movement in foreign exchange	(35,215)	34,046
Movement in employee benefits reserve	378,368	37,967
Movement in other provisions	(268,813)	558,264
	(1,510,115)	**(272,332)**
Increase/decrease in assets and liabilities:		
Decrease / (increase) in receivables	2,681,053	(744,320)
Decrease / (increase) in inventories	276,103	(94,243)
Decrease / (increase) in other receivables	178,288	(448,946)
Increase in current tax asset	(147,208)	(50,599)
(Increase) / Decrease in deferred tax assets	(450,142)	55,428
(Decrease) / Increase in creditors	(1,303,967)	1,175,008
Decrease in current tax liabilities	(620,712)	(929,415)
Increase / (Decrease) in deferred tax liabilities	277,051	(32)
Increase in deferred income liability	130,309	202,116
Net cash flow used in operating activities	**(489,340)**	**(1,107,335)**

8. CASH AND CASH EQUIVALENTS (continued)

(b) Non-cash financing and investing activities

The following Long Term Incentive Plan (LTIP) shares were issued by way of loans:

- 200,000 Long Term Incentive Plan (LTIP) shares were issued on 30 May 2019,
- 500,000 Long Term Incentive Plan (LTIP) shares were issued on 2 July 2018.

During 2018, 138,000 LTIP shares vested and an election was made to extend the exercise period for up to 5 years, whilst 55,443 LTIP shares lapsed and were cancelled. Refer to Note 20 Contributed Equity and Note 27 Share Based Payment Plans.

9. TRADE AND OTHER RECEIVABLES

		Consolidated	
		2019	2018
	Notes	$	$
Current			
Trade receivables, third parties		3,673,271	3,954,464
Allowance for expected credit loss	(v)	(107,259)	(417,610)
Net Trade receivables, third parties	(i)	3,566,012	3,536,854
Other receivables	(ii), (iii)	413,583	2,710,211
Total Current trade and other receivables		**3,979,595**	**6,247,065**
Non-current			
Trade receivables, associate	(vi)	-	230,782
Allowance for expected credit loss	(vi)	-	(230,782)
Total Non-current trade and other receivables		**-**	**-**
Total trade and other receivables		**3,979,595**	**6,247,065**

Terms and conditions

Terms and conditions relating to the above financial instruments

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

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

(iii) Other receivables for the financial year ended 31 December 2018 included accrued R&D Tax Incentive of $2,324,467 which was received upon lodgement and processing of the 2018 income tax return. The R&D Tax Incentive for the current financial year was received in November 2019.

(iv) Related party details are set out in the Note 23 Related Party Disclosures.

(v) A court awarded payment of $338,908 was received in January 2019 upon the successful outcome of litigation brought against a former General Manager for Germany and Almedis Altmann GmbH, an entity controlled by him.

(vi) This amount has been written off as unrecoverable upon MQ Health taking over the business operations of Macquarie Medical Imaging Pty Ltd from 7 December 2019.

9. TRADE AND OTHER RECEIVABLES (continued)

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

		Consolidated	
		2019	2018
	Notes	$	$
Opening balance		417,610	551,730
Unused amounts reversed		(310,351)	(134,120)
Closing balance		107,259	417,610

10. INVENTORIES

*

		Consolidated	
		2019	2018
	Notes	$	$
Current			
Raw materials at cost		1,334,713	1,198,130
Finished goods at lower of cost or net realisable value		1,199,849	1,614,033
Provision for obsolescence		(39,119)	(40,617)
Total inventory		**2,495,443**	**2,771,546**

11. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2019 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2019						
at written down value	299,890	1,702,595	388,091	-	77,830	2,468,406
Additions / Transfers	10,006	21,790	134,989	-	71,661	238,446
Disposals / Transfers	-	(213,548)		-	(77,830)	(291,378)
Foreign exchange translation				-	-	-
Depreciation for the year	(10,241)	(222,337)	(112,042)	-	-	(344,620)
31 December 2019						
at written down value	**299,655**	**1,288,500**	**411,038**	**-**	**71,661**	**2,070,854**
1 January 2019						
Cost value	2,383,603	5,010,569	8,295,535	120,901	77,830	15,888,438
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(201,753)	(699,062)	(3,538,153)	(120,901)	-	(4,559,869)
Net carrying amount	**299,890**	**1,702,595**	**388,091**	**-**	**77,830**	**2,468,406**
31 December 2019						
Cost value	2,393,609	4,818,811	8,430,524	120,901	71,661	15,835,506
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(211,994)	(921,399)	(3,650,195)	(120,901)	-	(4,904,489)
Net carrying amount	**299,655**	**1,288,500**	**411,038**	**-**	**71,661**	**2,070,854**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. Extensive damage to the cyclotron facility caused by substantial water damage in June 2014 has delayed any final decisions about the future use of the cyclotron facility until its restoration to its former operational status. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending that decision and its outcome. 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 (x).

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2018 Consolidated	Leasehold Land and buildings $	Leasehold improvements $	Plant and equipment $	Leased Plant and Equipment $	Capital Work in Progress $	Total $
1 January 2018						
at written down value	305,098	1,883,597	445,726	-	48,002	2,682,423
Additions / Transfers	-	90,910	116,573	-	71,660	279,143
Disposals / Transfers	-	-	(206)	-	(41,832)	(42,038)
Foreign exchange translation	4,798	3,845	(39,650)	-	-	(31,007)
Depreciation for the year	(10,006)	(275,757)	(134,352)	-	-	(420,115)
31 December 2018						
at written down value	**299,890**	**1,702,595**	**388,091**	**-**	**77,830**	**2,468,406**
1 January 2018						
Cost value	2,378,282	4,919,659	8,191,866	120,901	48,002	15,658,710
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(191,224)	(427,150)	(3,376,849)	(120,901)	-	(4,116,124)
Net carrying amount	**305,098**	**1,883,597**	**445,726**	**-**	**48,002**	**2,682,423**
31 December 2018						
Cost value	2,383,603	5,010,569	8,295,535	120,901	77,830	15,888,438
Impairment - Molecular Imaging*	(1,881,960)	(2,608,912)	(4,369,291)	-	-	(8,860,163)
Accumulated depreciation	(201,753)	(699,062)	(3,538,153)	(120,901)	-	(4,559,869)
Net carrying amount	**299,890**	**1,702,595**	**388,091**	**-**	**77,830**	**2,468,406**

* Impairment arising from the Group's decision to cease commercial production at its cyclotron facility at the end of April 2014. Extensive damage to the cyclotron facility caused by substantial water damage in June 2014 has delayed any final decisions about the future use of the cyclotron facility until its restoration to its former operational status. Accordingly, the suspended cyclotron business is not considered to be a discontinued operation pending that decision and its outcome. 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 (x).

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.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation techniques

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

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

The Cyclopharm Board decided to cease commercial production at its Cyclotron facility at the end of April 2014 due to the impact on the Group's profits of the government-owned competition. In making that decision, the Board valued the Cyclotron facility, comprised of buildings, leasehold improvements and plant and equipment at a fair value of nil, using the market approach and income approach techniques. The market technique predominantly used recent observable market data for similar new equipment in Australia, adjusted for loss in value caused by physical deterioration, functional obsolescence, economic obsolescence and the industry specific aspects affecting this highly specialised asset i.e. the government-owned competition which had rendered further participation in the molecular imaging industry uneconomic and its future use uncertain. The same industry specific factors were applied to the income approach technique. Both techniques resulted in a fair value of nil being recognised for the Cyclotron facility as at 31 December 2014. Cyclopharm considers that the same conditions still apply at 31 December 2019. Furthermore, the damage caused to the Cyclotron facility in June 2014 has delayed any final decisions about the future use of the Cyclotron facility until its restoration to its former functionality. Accordingly, Cyclopharm has concluded that as a result of this uncertainty, the fair value of the Cyclotron remains at nil as at 31 December 2019.

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 2019 $	Level 2 2018 $
Buildings	-	-
Plant and equipment	-	-
Leasehold improvements	-	-
Total non-financial assets recognised at fair value	-	-

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

12. RIGHT-OF-USE ASSETS

	Consolidated	
	2019	**2018**
	$	**$**
Land and buildings - right-of-use	5,200,067	-
Less: Accumulated depreciation	(1,030,860)	-
	4,169,207	**-**
Motor vehicle - right-of-use	260,097	-
Less: Accumulated depreciation	(221,373)	-
	38,724	**-**
Total right-of-use assets	**4,207,931**	**-**

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

13. INVESTMENTS

		Consolidated	
		2019	2018
Equity accounted investments	**Notes**	**$**	**$**
Associated companies	(a)	-	-

Name	**Principal Activities**	**Principal place of business**	**Measurement Method**	**Ownership Interest**	
				2019	**2018**
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.

		Consolidated	
		2019	2018
Extract from the associate's statement of financial position:	**Notes**	**$**	**$**
Current Assets		5,470,644	1,667,541
Non-current Assets		1,577,468	9,622,837
Current Liabilities		(19,647,135)	(14,671,387)
Non-current Liabilities		-	(8,733,080)
Net Liabilities		(12,599,023)	(12,114,089)
Share of associate's Net Liabilities	(a)	(2,519,805)	(2,422,818)

		Consolidated	
		2019	2018
Extract from the associate's statement of comprehensive income:	**Notes**	**$**	**$**
Revenue		14,650,032	14,650,032
Net Loss	(a)	(39,973)	(2,589,397)

(a) The share of the associate's loss not recognised during the year was $7,994 (2018: loss of $517,879) and the cumulative share of the associate's loss not recognised as at 31 December 2019 was $3,459,836 (31 December 2018: $3,451,842). The comparative amounts have been revised after the receipt of the audited financial report of the associate subsequent to the last financial report of the Group.

The share of loss of associate not recognised as at 31 December 2019 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 (2018: $nil).

13. INVESTMENTS (continued)

Contingent liabilities

(b) There were no contingent liabilities as at the date of this report (2018: $2,838,442). In December 2019, Cyclopharm issued 300,000 ordinary shares in exchange for the termination of a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI"). The cost had the put option been exercised at 31 December 2018 was estimated not to exceed $2,838,442.

14. INTANGIBLE ASSETS

Consolidated	Intellectual Property $	Goodwill on consolidation* $	Licences $	Technegas Development $	Target $	Ultralute $	Total $
Balance at							
1 January 2019	54,512	865,273	750,646	723,098	27,419	2,149,396	4,570,344
Additions	344,101	-	-	65,490	-	269,504	679,095
Transfers	-	-	-	-	-	-	-
Amortisation	(18,981)	-	(85,109)	-	-	-	(104,090)
Balance at							
31 December 2019	**379,632**	**865,273**	**665,537**	**788,588**	**27,419**	**2,418,900**	**5,145,349**
31 December 2019							
Non-Current	379,632	865,273	665,537	788,588	27,419	2,418,900	5,145,349
Total	**379,632**	**865,273**	**665,537**	**788,588**	**27,419**	**2,418,900**	**5,145,349**
31 December 2018							
Non-Current	54,512	865,273	750,646	723,098	27,419	2,149,396	4,570,344
Total	**54,512**	**865,273**	**750,646**	**723,098**	**27,419**	**2,149,396**	**4,570,344**

* Goodwill on consolidation arising upon the acquisition of Inter Commerce Medical bvba on 1 October 2017 and Medicall Analys AB on 1 May 2018.

The recoverable amount of Technegas Development and Ultralute costs 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.

(b) The pre-tax discount rate used was 25.00% in 2019 (2018: 25.00%). The discount rate reflects 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) The Directors have concluded that the recoverable amount of the Ultralute costs and other intangibles exceed their carrying value.

15. TRADE AND OTHER PAYABLES

	Notes	Consolidated 2019 $	Consolidated 2018 $
Current			
Trade payables, third parties	(i)	1,407,567	2,366,062
Other payables and accruals	(ii)	1,224,795	1,233,403
Total current trade and other payables		**2,632,362**	**3,599,465**
Non-current			
Other payables and accruals		-	336,864
Total Non-current trade and other payables		**-**	**336,864**
Total trade and other payables		**2,632,362**	**3,936,329**

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) The non-interest bearing loan, related party loan is payable when called upon. Related party details are set out in the Note 23 Related party disclosures.

16. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2019 $	Consolidated 2018 $
Current		
Bank loan - secured (b)	-	58,985
Interest bearing loans and borrowings (current)	**-**	**58,985**
Total interest bearing loans and borrowings	**-**	**58,985**

16. INTEREST BEARING LOANS AND BORROWINGS (continued)

(a) Financing facilities available:

At reporting date, the following financing facilities had been negotiated and were available:

		Consolidated	
		2019	2018
	Notes	$	$
Total facilities available:			
- secured bank loans, third party		-	58,985
		-	**58,985**
Facilities used at reporting date:			
- secured bank loans, third party	16	-	58,985
		-	**58,985**
Total facilities		-	58,985
Facilities used at reporting date:		-	(58,985)
Facilities unused at reporting date:		**-**	**-**

(b) Secured Bank Loans

Cyclopharm's wholly owned subsidiary, Inter Commerce Medical bvba ("ICM")'s loan provided by Bank Nagelmackers nv has been fully repaid in December 2019. The facility is secured by bank deposits held by the vendor of ICM.

17. LEASE LIABILITIES

	Consolidated	
	2019	2018
	$	$
Current		
Lease liabilty	172,582	61,592
Lease liability (current)	**172,582**	**61,592**
Non-current		
Lease liabilty	4,749,883	-
Interest bearing loans and borrowings (non-current)	**4,749,883**	**-**
Total interest bearing loans and borrowings	**4,922,465**	**61,592**

18. PROVISIONS

	Consolidated		
	Employee Entitlements	Make good	Total
Consolidated	$	$	$
Balance at			
1 January 2019	**869,779**	**286,347**	**1,156,126**
Utilised	(194,502)	-	(194,502)
AASB16 adjustmnet	-	(286,347)	(286,347)
Balance at			
31 December 2019	**675,277**	**-**	**675,277**
31 December 2019			
Current	652,254	-	652,254
Non-Current	23,023	-	23,023
Total	**675,277**	**-**	**675,277**
Number of employees			
Number of employees at year end	37		
31 December 2018			
Current	855,517	-	855,517
Non-Current	14,262	286,347	300,609
Total	**869,779**	**286,347**	**1,156,126**
Number of employees			
Number of employees at year end	32		

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.

19. DEFERRED INCOME LIABILITIES

	Consolidated	
	2019	2018
	$	$
Deferred income liabilities	**793,868**	**663,559**

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.

20. CONTRIBUTED EQUITY

		Consolidated			
		2019	2018	2019	2018
	Notes	Number	Number	$	$
Issued and paid up capital					
Ordinary shares	(a)	78,238,398	68,698,873	36,909,161	27,238,193
Other contributed equity	(b)	-	-	(5,333,158)	(5,333,158)
Total issued and paid up capital		**78,238,398**	**68,698,873**	**31,576,003**	**21,905,035**
(a) Ordinary shares					
Balance at the beginning of the period		68,698,873	68,254,316	27,238,193	26,884,885
Issue of Long Term Incentive Plan shares	(i)	739,525	500,000	-	-
Issue of shares to settle obligations under put option	(ii)	300,000		309,000	
Issue of shares via institutional placement	(iii)	8,500,000	-	9,775,000	-
Share issue cost (net of tax)	(iii)	-	-	(413,032)	-
Cancellation of expired Long Term Incentive Plan shares	(iv)	-	(55,443)	-	-
Settlement of loan for Long Term Incentive Plan shares	(v)	-	-	-	353,308
Balance at end of period		**78,238,398**	**68,698,873**	**36,909,161**	**27,238,193**
(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) 539,525 LTIP shares were issued on 11 December 2019, 200,000 LTIP shares were issued on 30 May 2019 and 500,000 LTIP shares were issued on 2 July 2018 as set out in Note 27.
(ii) On 18 December 2019, 300,000 ordinary shares were issued in exchange for the termination of a put option to a shareholder of MMI as set out in Note 13(b).
(iii) On 24 December 2019, 8,500,000 ordinary shares were issued at a price of $1.15 per new share in connection with an institutional share placement.
(iv) 55,443 expired LTIP shares were cancelled on 8 October 2018.
(iv) Proceeds from settlement of loan to acquire LTIP shares.

20. CONTRIBUTED EQUITY (continued)

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.

Management monitors capital through the gearing ratio (net debt/total capital). Management aims to ensure that the Group's gearing ratio does not exceed 45%. There are no banking covenants as at 31 December 2019.

		Consolidated	
		2019	2018
	Notes	$	$
Total interest bearing loans and borrowings		-	58,985
Less: cash and cash equivalents	8	(12,660,323)	(5,854,959)
Net interest bearing loans and borrowings / (cash)		**(12,660,323)**	**(5,734,382)**
Total equity		23,203,945	17,015,969
Gearing ratio		0.0%	0.3%

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 2019 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2018. During the 2018 financial year, the Directors declared an unfranked interim dividend of 0.5 cent per share in respect of the financial year ended 31 December 2018 and an unfranked final dividend of 0.5 cent per share in respect of the financial year ended 31 December 2017.

The final unfranked dividend of 0.5 cent per share has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2019.

	Consolidated			
	2019	2018	2019	2018
	Cents per share	Cents per share	$	$
Fully paid ordinary shares				
Final dividend in respect of the previous financial year				
- No franking credits attached	0.50	0.50	330,250	321,653
Interim dividend in respect of the current financial year				
- No franking credits attached	0.50	0.50	330,251	329,819
	1.00	**1.00**	**660,501**	**651,472**

21. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's principal financial instruments comprise receivables, payables, bank loans, 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 Management 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.

(a) Interest rate risk

As the Group has moved into a low 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 2019, 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	
	2019	2018
	$	$
Judgements of reasonably possible movements:		
(Loss) / Profit before income tax		
+1.0% (100 basis points)	126,396	57,960
-0.5% (50 basis points)	(63,198)	(28,980)

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

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

(a) Interest rate risk (continued)

Consolidated Year ended 31 December 2019		Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in			Total
					1 year or less	1 to 5 years	More than 5 years	
			$	$	$	$	$	$
FINANCIAL ASSETS								
Cash and cash equivalents	8	0.35%	-	12,660,323	-	-	-	12,660,323
Trade and other receivables	9	n/a	3,979,595	-	-	-	-	3,979,595
Total financial assets			**3,979,595**	**12,660,323**	**-**	**-**	**-**	**16,639,918**
FINANCIAL LIABILITIES								
Trade payables, third parties	15	n/a	2,632,362	-	-	-	-	2,632,362
Leases, third party	17	4.50%	-	-	172,582	697,017	4,052,866	4,922,465
Secured bank loans, third party	16	4.30%	-	-	-	-	-	-
Total financial liabilities			**2,632,362**	**-**	**172,582**	**697,017**	**4,052,866**	**7,554,827**
Net exposure			**1,347,233**	**12,660,323**	**(172,582)**	**(697,017)**	**(4,052,866)**	**9,085,091**

Consolidated Year ended 31 December 2018		Weighted average interest rate %	Non interest bearing	Floating interest rate	Fixed interest maturing in			Total
					1 year or less	1 to 5 years	More than 5 years	
			$	$	$	$	$	$
FINANCIAL ASSETS								
Cash and cash equivalents	8	2.20%	-	5,854,959	-	-	-	5,854,959
Trade and other receivables	9	n/a	6,247,065	-	-	-	-	6,247,065
Total financial assets			**6,247,065**	**5,854,959**	**-**	**-**	**-**	**12,102,024**
FINANCIAL LIABILITIES								
Trade payables, third parties	15	n/a	3,936,329	-	-	-	-	3,936,329
Leases, third party	17	0.50%	-	-	61,592	-	-	61,592
Secured bank loans, third party	16	4.30%	-	-	58,985	-	-	58,985
Total financial liabilities			**3,936,329**	**-**	**120,577**	**-**	**-**	**4,056,906**
Net exposure			**2,310,736**	**5,854,959**	**(120,577)**	**-**	**-**	**8,045,118**

21. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(b) Credit risk

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

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

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

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

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The Group has no borrowings as at 31 December 2019. At 31 December 2018, 100% of the Group's debt was due to mature in less than one year.

Refer to the table above with the heading 21 (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. At balance date the Group has no unused credit facilities (2018: $nil).

Consolidated **Year ended**		**Less than 6 months**	**6 months to 1 year**	**1 year to 5 years**	**Greater than 5 years**	**Total**
31 December 2019	**Note**	**$**	**$**	**$**	**$**	**$**
Trade payables, third parties	15	2,632,362	-	-	-	2,632,362
Leases, third party	17	86,485	86,097	697,017	4,052,866	4,922,465
Secured bank loans, third party	16	-	-	-	-	-
		2,718,847	86,097	697,017	4,052,866	7,554,827
31 December 2018						
Trade payables, third parties	15	3,262,601	336,864	336,864	-	3,936,329
Leases, third party	17	30,796	30,796	-	-	61,592
Secured bank loans, third party	16	29,493	29,492	-	-	58,985
		3,322,890	397,152	336,864	-	4,056,906

(d) Commodity price risk

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

21. 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.

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 83% (2018: 78%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 54% (2018: 60%) of costs are denominated in the unit's functional currency.

At 31 December 2019, the Group had the following financial instrument exposure to foreign currency fluctuations:

	Consolidated		
	2019	2018	
	$	$	
United States dollars			
Amounts payable	594,663	4,628,580	*
Amounts receivable	109,299	19,339	
Euros			
Amounts payable	191,107	303,270	
Amounts receivable	2,132,103	2,156,252	
Canadian dollars			
Amounts payable	-	10,596	
Amounts receivable	562,159	301,079	
Swedish Kroners			
Amounts payable	67,161	80,411	
Amounts receivable	391,166	571,480	
Japanese Yen			
Amounts payable	10,033	13,821	
Amounts receivable	3,056	1,657	
Net exposure	**(2,010,814)**	**2,477,940**	

* includes forward exchange contract commitment.

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

Forward Exchange Contracts

The Company has not entered into foreign exchange forward contracts as at 31 December 2019. During the previous year, the Company was party to a foreign exchange forward contract which was taken out as protection against possible future falls in the value of the Australian dollar against the US Dollar.

Fair values

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

Foreign currency sensitivity

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

Cyclopharm is most exposed to European Euro (Euro), Canadian Dollar (CAD), US Dollar (USD) and Swedish Kroner (SEK) 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.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Foreign currency risk (continued)

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 2019		
Net (loss) / profit	(171,487)	188,636
Equity (decrease) / increase	(171,487)	188,636
31 December 2018		
Net (loss) / profit	(168,453)	185,298
Equity (decrease) / increase	(168,453)	185,298
CAD		
31 December 2019		
Net (loss) / profit	(51,105)	56,216
Equity (decrease) / increase	(51,105)	56,216
31 December 2018		
Net (loss) / profit	(26,408)	29,048
Equity (decrease) / increase	(26,408)	29,048
USD		
31 December 2019		
Net profit / (loss)	44,124	(48,536)
Equity increase / (decrease)	44,124	(48,536)
31 December 2018		
Net (loss) / profit	419,022	(460,924)
Equity (decrease) / increase	419,022	(460,924)
SEK		
31 December 2019		
Net (loss) / profit	(29,455)	32,401
Equity (decrease) / increase	(29,455)	32,401
31 December 2018		
Net (loss) / profit	(44,643)	49,107
Equity (decrease) / increase	(44,643)	49,107

22. COMMITMENTS & CONTINGENCIES

(a) Capital commitments

Cyclopharm has entered into agreements to fund research projects with unrelated institutions. The commitments for these projects total $423,473 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 (2018: $nil).

(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 2019 amounts to $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.

There were no other contingent liabilities as at the date of this report (2018: $2,838,442). In December 2019, Cyclopharm issued 300,000 ordinary shares in exchange for the termination of a put option to a 50% shareholder of Macquarie Medical Imaging Pty Limited ("MMI"). The cost had the put option been exercised at 31 December 2018 was estimated not to exceed $2,838,442.

23. RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to Note 9 Trade and Other Receivables, Note 15 Trade and Other Payables and Note 16 Interest Bearing Loans and Borrowings):

CONSOLIDATED		Sales to related parties $	Purchases from related parties $	Amounts owed by/ (to) related parties $	Provision for doubtful debts on Amounts owed by related parties $
Cell Structures Pty Ltd	*2019*	-	51,935	(28,611)	-
	2018	-	51,000	(28,050)	-
Macquarie Medical Imaging	*2019*	-	-	-	-
	2018	-	-	230,782	230,782

Ultimate parent entity

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

23. RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties

- During the year, payments of $51,935 (2018: $51,000) were made to Cell Structures Pty Ltd (an entity controlled by Director, Mr. Tom McDonald). All payments relate to Mr. McDonald's role as a non-executive director including consultancy services provided by him.
- CycloPet Pty Ltd, a wholly owned subsidiary of Cyclopharm has a 20% interest in Macquarie Medical Imaging. Prior to ceasing commercial operations at the end of April 2014, CycloPet manufactured products that were sold to Macquarie Medical Imaging Pty Ltd. As the trade debtor balance of $230,782 as at 31 December 2018 was not expected to be repaid in the short term, it was included as an interest in the associate and a share of the associate's losses had been recognised under the equity method in the 2014 financial year. This amount has been written off as unrecoverable upon MQ Health taking over the business operations of Macquarie Medical Imaging Pty Ltd from 7 December 2019. Refer to Note 13 for details of the investment in the associate.

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

23. RELATED PARTY DISCLOSURES (continued)

Controlled Entities

Name	Note	Country of Incorporation	Percentage of equity interest held	
			2019	2018
Cyclopharm Limited	1,2	Australia		
Controlled entities				
CycloPET Pty Ltd	2	Australia		100%
Cyclomedica Australia Pty Limited	2	Australia	100%	100%
Cyclomedica Ireland Limited	3	Ireland	100%	100%
Cyclomedica Europe Limited	3	Ireland	100%	100%
Inter Commerce Medical bvba	4	Belgium	100%	100%
Medicall Analys AB	5	Sweden	100%	100%
Cyclomedica Germany GmbH	6	Germany	100%	100%
Cyclomedica Canada Limited	7	Canada	100%	100%
Cyclomedica USA LLC	8	United States of America	100%	0%
Cyclomedica UK Ltd	9	United Kingdom	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 HLB Dodemont - Van Impe, Belgium, acquired on 1 October 2017.
5. Audited by Nexia Revision, Stockholm, Sweden, acquired on 1 May 2018.
6. Audited by Bilanzia GmbH Wirtschaftsprufungsgesellschaft, Germany.
7. Audited by Schwartz Levitsky & Feldman LLP, Toronto, Canada.
8. Dormant
9. Dormant

24. EVENTS AFTER THE BALANCE DATE

FINAL DIVIDEND

On 26 February 2020, the Directors declared a final unfranked dividend of 0.5 cent per share in respect of the financial year ended 31 December 2019, payable on 7 April 2020.

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

25. AUDITORS' REMUNERATION

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

	Consolidated	
	2019	2018
	$	$
Amounts received or due and receivable by the auditor of the parent entity and associated entities for:		
Audit and review of the financial statements	164,016	140,052
Other services:		
- tax compliance	15,448	10,901
- share registry	38,784	28,618
	218,248	**179,571**
Amounts received or due and receivable by other audit firms for:		
Audit of the financial statements of controlled entities	127,704	108,501
Other services	94,471	66,440
	222,175	**174,941**

26. 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 & Fees	Cash Bonus	Superannuation			
Consolidated	$	$	$	$	$	$
2019	783,003	80,000	64,416	6,616	359,818	1,293,853
2018	760,504	77,000	61,900	5,371	27,450	932,225

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.

26. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

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.

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.

27. 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	
	2019	2018
	$	$
Expense arising from equity-settled share-based payment transactions (note 5)	378,368	37,967

The share-based payment reserve at 31 December 2019 was $1,041,373 (2018: $663,005).

(b) Share-based payment other than implied options

i) During the year, the Company issued shares to settle a contingent liability in relation to Macquarie Medical Imaging Pty Limited ("MMI") as set out in Note 13 (b), and

ii) During the year, the Company issued 269,911 LTIP shares to the Managing Director for nil consideration. These shares are freely traded on and from the date of issue as approved by shareholders on 21 May 2019.

27. SHARE BASED PAYMENT PLANS (continued)

(c) Type of share based payment plans

The share-based payment plan is described below. There have not been any modifications to the Long-Term Incentive Plan ("Plan") following its approval by members at the Annual General Meeting held on 8 May 2007 other than an amendment to allow allotment or transfer of Plan shares to an entity wholly owned and controlled by the participant. The amendment was approved by members at the Annual General Meeting held on 26 May 2015. An updated Plan was approved by members at the Annual General Meeting held on 29 May 2018.

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. 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.

Implied Options

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

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

27. SHARE BASED PAYMENT PLANS (continued)

(d) Summary of Options and Implied Options granted

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

		Consolidated 2019 Number	Consolidated 2018 Number	Weighted Average Exercise Price 2019 $	Weighted Average Exercise Price 2018 $
Balance at the beginning of the year		725,000	363,000	1.35	1.01
Granted during the year		669,614	500,000	0.45	1.55
Vested but unexercised during the year	(i)	-	(138,000)	-	1.20
Balance at the end of the year		**1,394,614**	**725,000**	**0.92**	**1.35**
Vested but unexercised at the end of the year		1,923,962	1,923,962		

(i) No LTIP shares (2018: 138,000) vested during the year.

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

The weighted average exercise price for Options at the end of the year was $0.92 (2018: $1.35). The weighted average remaining contractual life for the Options outstanding as at 31 December 2019 is 3.93 years (2018: 2.13 years). The weighted average fair value of Options granted during the year was $0.98 (2018: $0.153).

(f) Option pricing models

The following assumptions were used to derive a value for the 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:

Exercise price per Option	**$0.00**	**$1.50**	**$0.00**
Number of recipients	1	2	1
Number of Options	200,000	200,000	269,614
Grant Date	27/05/19	30/05/19	11/12/19
Dividend yield	-	-	-
Expected annual volatility	42.99%	42.99%	42.99%
Risk-free interest rate	1.23%	1.23%	0.80%
Expected life of Option (years)	6.18 years	2 years	2.5 years
Fair value per Option	$1.431	$0.366	$1.065
Share price at grant date	$1.47	$1.49	$1.065
Model used	Expensed at market price at grant date over expected life of Option	Black Scholes	Expensed at market price at grant date over expected life of Option

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

28. PARENT ENTITY DISCLOSURE

	2019	2018
	$	$
(i) **Financial Position**		
Assets		
Current Assets	10,335,490	6,205,679
Non-current Assets	22,410,228	14,689,676
Total Assets	**32,745,718**	**20,895,355**
Liabilities		
Current Liabilities	180,645	560,499
Non-current Liabilities	10,469,275	8,856,700
Total Liabilities	**10,649,920**	**9,417,199**
Net assets	**22,095,798**	**11,478,156**
Equity		
Contributed equity	31,776,534	22,105,568
Employee equity benefits reserve	1,041,373	663,005
Accumulated Losses	(10,722,109)	(11,290,417)
Total Equity	**22,095,798**	**11,478,156**
(ii) **Financial Performance**		
Profit for the year	953,905	1,819,490
Other comprehensive income	-	-
Total Profit for the year	**953,905**	**1,819,490**

29. RESERVES

Nature and purpose of reserves:

(a) Employee equity benefits reserve

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

(b) Foreign currency Translation Reserve

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

Directors' Declaration

In the opinion of the Directors of Cyclopharm Limited:

1. (a) The financial statements and notes of the consolidated entity as set out on pages 36 to 90 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 2019 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 2019.

Signed in accordance with a resolution of the Directors:

James McBrayer
Managing Director and CEO

Sydney, 31 March 2020

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 2019, the consolidated statement of 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 2019 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 entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Capitalised Development Costs for Ultralute ($2,418,900) Refer to note 14 Included in the Group's intangible assets are capitalised development costs $2,418,900 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.	Our audit procedures on the Ultralute development costs 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.

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Key audit matter	How our audit addressed the key audit matter
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.	▪ 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.

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 2019, 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 entity'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 entity 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/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

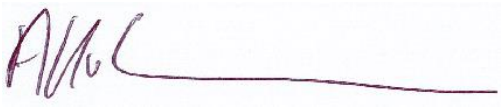
We have audited the Remuneration Report included in pages 23 to 33 of the directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Cyclopharm Limited for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Nexia Sydney Audit Pty Limited



Andrew Hoffmann
Director

Dated: 31 March 2020
Sydney

ASX Additional Information

The following information is current at 28 February 2020

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	16.89%
Barings Acceptance Limited	11,433,424	14.61%
HSBC Custody Nominees (Australia) Limited - A/c 2	8,600,000	10.99%
National Nominees Limited	8,147,592	10.41%
Chemical Overseas Limited	8,000,000	10.23%
CVC Limited	6,965,868	8.90%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of numbers of equity security holders by size of holding as at 28 February 2020

Category	Ordinary Shareholders	Percentage held of issued ordinary capital
1 - 1,000	122	0.08%
1,001 - 5,000	285	1.08%
5,001 - 10,000	137	1.36%
10,001 - 100,000	180	7.02%
100,001 and over	42	90.46%
Total	766	100.00%

(ii) There were 58 holders of less than a marketable parcel of ordinary shares.

C. EQUITY SECURITY HOLDERS

	Twenty largest quoted equity security holders	Ordinary shares Number held	Percentage of issued shares
1	Anglo Australian Christian and Charitable Fund	13,211,332	16.89%
2	Barings Acceptance Limited	11,433,424	14.61%
3	HSBC Custody Nominees (Australia) Limited - A/c 2	8,600,000	10.99%
4	National Nominees Limited	8,147,592	10.41%
5	Chemical Overseas Limited	8,000,000	10.23%
6	CVC Limited	6,965,868	8.90%
7	McBrayer Reid Investments Pty Ltd <LTIP Account Holding 6>	1,721,554	2.20%
8	Chemical Trustee Limited	1,176,470	1.50%
9	Lloyds & Casanove Investment Partners Limited	975,965	1.25%
10	Mr James McBrayer	861,728	1.10%
11	Mr James McBrayer	861,728	1.10%
12	South Seas Holdings Pty Ltd	675,000	0.86%
12	Melbourne Corporation Of Australia Pty Ltd (Super Fund A/c)	667,376	0.85%
14	City & Westminster Limited	544,789	0.70%
15	Malackey Holdings Pty Ltd	420,220	0.54%
16	Mr Anthony Rex Morgan & Mrs Elena Morgan <ZIKLAG Super Fund A/c>	410,000	0.52%
17	Melbourne Corp Of Australia Pty Limited	400,000	0.51%
18	Melbourne Corporation Of Australia Pty Ltd (Super Fund A/c)	350,000	0.45%
19	Sydney Schools Pty Limited	300,500	0.38%
20	Macquarie Connect Pty Limited	300,000	0.38%
		66,023,546	84.39%
	Other equity security holders	12,214,852	15.61%
	Total	**78,238,398**	**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.

General Information

Directors

David Heaney
Non-Executive Chairman

James McBrayer
Managing Director & CEO

Thomas McDonald
Non-Executive Director

Company Secretary
James McBrayer

Registered Office
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Share Registry
NextRegistries
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F: 02 9251 7138

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
http://cyclopharm.com/corporate-governance/

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