

Notice of Annual General Meeting and Explanatory Memorandum

Circadian Technologies Limited
ACN 006 340 567

Date: 11 November 2010
Time: 10.00 am
Location: Computershare Conference Centre
Yarra Falls
452 Johnston Street
Abbotsford, Melbourne, Victoria

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of the Shareholders of Circadian Technologies Limited (**Company**) will be held at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria on Thursday, 11 November 2010 at 10.00 am (**AGM**).

Ordinary Business

1. Financial statements and reports

To receive and consider:

- (a) the financial report;
- (b) the directors' report; and
- (c) the auditor's report

of the Company for the year ended 30 June 2010.

2. Remuneration report (Resolution 1)

To consider and, if thought fit, pass the following as an ordinary resolution:

'That the remuneration report as set out in the Annual Report for the financial year ended 30 June 2010 be adopted.'

Note: the vote on this resolution is advisory only and does not bind the Company or its Directors.

3. Re-election of Mr Carlo Montagner as a director (Resolution 2)

To consider and, if thought fit, pass the following as an ordinary resolution:

'That Mr Carlo Montagner, a director retiring by rotation in accordance with clause 58 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'

4. Re-election of Mr Don Clarke as a director (Resolution 3)

To consider and, if thought fit, pass the following as an ordinary resolution:

'That Mr Don Clarke, a director retiring by rotation in accordance with clause 58 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'

5. Approval of Circadian Technologies Limited Employee Conditional Rights Scheme (Resolution 4)

To consider and, if thought fit, to pass the following special resolution:

*'That, for the purpose of Exception 9 of Listing Rule 7.2 of the Listing Rules of the Australian Securities Exchange (**ASX Listing Rules**) and for all other purposes, approval be given for the introduction of the Scheme.'*

6. Grant of Conditional Rights to Mr Robert Klupacs (Resolution 5)

To consider and, if thought fit, to pass the following as an ordinary resolution:

*'That, for the purposes of Listing Rule 10.14 of the Listing Rules, the Corporations Act 2001 (Cth) (**Corporations Act**) and for all other purposes, approval be given for the grant of 520,000 Conditional Rights to Mr Robert Klupacs under the Company's Employee Conditional Rights Scheme (**Scheme**), resolved to be granted by the Board in October 2010 and, upon exercise of*

*those conditional rights (**Rights**), the acquisition of 520,000 ordinary shares underlying those Rights, in accordance with the terms of the Scheme and the explanatory statement accompanying this notice of meeting.'*

7. **Approval of the Issue of Conditional Rights on Accelerated Event and Payment of Future Termination Benefit to Mr Robert Klupacs (Resolution 6)**

To consider, and if thought fit, pass the following resolution:

'That for the purposes of sections 200B and 200E of the Corporations Act, approval be given for the Company to provide the benefits to Mr Robert Klupacs (details of which are set out in the notice of this meeting) arising from his participation in the Scheme and the receipt, vesting and exercise of Rights acquired under, or arising from, contractual arrangements with the Company in connection with any future termination of his employment or office.'

8. **Other business**

To transact any other business which may legally be brought before the meeting.

By order of the Board

11 October 2010



Susan Madden
Company Secretary

Proxy Notes

1. A Shareholder entitled to attend and vote at the meeting has a right to appoint a proxy.
2. The proxy need not be a Shareholder of the Company.
3. A Shareholder who is entitled to cast two or more votes may appoint up to two proxies and, in the case of such an appointment, may specify the proportion or number of votes each proxy is appointed to exercise.
4. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes which each proxy may exercise, each proxy may exercise half of the votes.
5. The proxy form included in this Notice of AGM must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be signed under the hand of a duly authorised officer or attorney.
6. To be valid, the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged with the Share Registry - Computershare Investor Services Pty Limited at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, using the reply paid envelope supplied or by facsimile to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) as soon as possible and in any event not later than 48 hours prior to the time appointed for the AGM.
7. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Company's constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.
8. If a Shareholder appoints the chairperson of the meeting as the Shareholder's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that Shareholder, in favour of the item on a poll.
9. Shareholders should refer to the Explanatory Memorandum, which accompanies and forms part of this Notice of Meeting, for information regarding voting restrictions.
10. For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Voting entitlements

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) for the purposes of the meeting, persons holding shares at 7.00 pm (Melbourne time) on 9 November 2010 will be treated as Shareholders. This means that if you are not the registered holder of a relevant Share at that time you will not be entitled to attend and vote in respect of that Share at the AGM.

Voting Exclusion Statements

Resolutions 4 and 5:

In accordance with the Listing Rules, the Company will disregard any votes cast in respect of Resolution 4 and 5 by any Director or an associate of a Director. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by a person chairing the AGM as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6:

In accordance with the Corporations Act, a vote on Resolution 6 must not be cast (in any capacity) by or on behalf Mr Robert Klupacs and any of his associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) it is not cast on behalf of Mr Robert Klupacs or an associate of his.

Explanatory Memorandum

1. Purpose of information

The purpose of this Explanatory Memorandum (which is included in and forms part of the Notice of AGM dated 11 October 2010) is to provide Shareholders with an explanation of the business of the meeting and of the resolutions to be proposed and considered at the AGM to be held on 11 November 2010, at 10.00 am at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria, and to assist Shareholders to determine how they wish to vote on each resolution.

2. Financial statements and reports

Pursuant to the Corporations Act, the directors of a public company that is required to hold an annual general meeting must table the financial statements and reports of the Company (including the directors' report and auditor's report) for the previous year before the Shareholders at the annual general meeting.

Shareholders have been provided with all relevant information concerning the Company's financial statements, directors' report and auditor's report in the Annual Report of the Company for the year ended 30 June 2010. A copy of the Annual Report has been forwarded to each Shareholder other than those Shareholders who have previously notified the Company that they elect not to receive the Annual Report, whether in paper form or electronically. Any Shareholder who had made this election and now wishes to receive a paper or electronic copy of the Annual Report should contact the Company's office by phone on +61 3 9826 0399 to arrange receipt. The Annual Report can also be viewed, printed and downloaded from the Company's website www.circadian.com.au. A copy of the financial statements, the directors' report and the auditor's report will also be tabled at the meeting.

Shareholders should note that the sole purpose of tabling the financial statements and the reports of the Company at the AGM is to provide the Shareholders with the opportunity to be able to ask questions or discuss matters arising from the financial statements or the reports at the meeting. It is not the purpose of the meeting that the financial statements or reports be accepted, rejected or modified in any way. Further, as it is not required by the Corporations Act, no resolution to adopt, receive or consider the Company's financial statements or the reports (other than the remuneration report) will be put to the Shareholders at the meeting.

Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on the financial statements and the reports. The Company's auditor will be available to receive questions and comments from Shareholders about the preparation and content of the auditor's report and conduct of the audit.

3. Remuneration report (Resolution 1)

The directors' report for the year ended 30 June 2010 contains a remuneration report, which sets out the policy for remuneration of the directors, the company secretary and senior managers.

The Corporations Act requires that a resolution be put to the vote that the remuneration report be adopted.

The Corporations Act expressly provides that the vote is advisory only and does not bind the directors or the Company.

Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the remuneration report.

The full remuneration report is included in the Company's 2010 Annual Report which is available on the Company's website www.circadian.com.au.

4. Re-election of directors (Resolutions 2 and 3)

4.1 Introduction

Clause 58 of the Company's constitution requires that at each AGM one-third of the directors must retire from office, or if their number is not a multiple of three, then the number nearest to, but not exceeding one-third of the directors must retire from office. Therefore, two of the six directors must retire by rotation. Mr Carlo Montagner and Mr Don Clarke are the directors who have been longest in office. Therefore, Mr Carlo Montagner and Mr Don Clarke must retire by rotation at the Company's 2010 AGM and are eligible for re-election. Accordingly, they seek re-appointment as directors.

4.2 Biography of Mr Carlo Montagner

Carlo Montagner was appointed a non-executive director of the Company on 1 July 2008 and is a member of the Company's Product Development Review Committee and Remuneration Committee. He has a wealth of experience in heading global oncology businesses for chemotherapeutic products and has more than 16 years' experience in the pharmaceutical industry in the US, Europe, Japan and Australia. During his career, Mr Montagner has built specialty oncology practices, managing the strategic integration of both clinical and commercial aspects of drug portfolios. He was Executive Vice President & Global Head of Schering AG/Berlex Labs USA Oncology Business Unit. He has also held various positions at Aventis Pharma, including Head of Oncology & Cardiovascular Business Unit at Sanofi-Aventis Japan and Global Senior Director of Marketing and Medical Affairs, managing the Taxanes chemotherapy portfolio. Mr Montagner is a director of Abraxis Bioscience Australia Pty Ltd, CEO of privately held Specialised Therapeutics Australia and is a member of the Australian Institute of Company Directors. He also holds a non-executive director position with ASX listed company Alchemia Limited, whose Board he joined in March 2008.

4.3 Biography of Mr Don Clarke

Don Clarke was appointed a non-executive director of the Company in September 2005. He is Chairman of the Remuneration Committee and a member of the Audit Committee. He has been a partner of the law firm Minter Ellison since 1988, having joined that firm in 1980. Mr Clarke has a broad commercial practice (involving predominantly ASX listed companies in the SME sector and larger private companies) and experience across a broad sector of industries. He is also a non-executive director and deputy chairman of the ASX listed company Webjet Limited (appointed January 2008), and a non-executive director of the ASX listed company Phosphagenics Limited.

5. Approval of Circadian Technologies Limited Employee Conditional Rights Scheme (Resolution 5)

5.1 Introduction

The Board is proposing to implement an employee conditional rights scheme to be known as the Circadian Technologies Limited Employee Conditional Rights Scheme (**Scheme**) under which present and future eligible employees (**Participants**), as a long term incentive, may be granted Rights.

5.2 Shareholder Approval

The purposes of the Scheme and of the issue of Rights are to provide a long term incentive to its staff, as part of a focus on transforming remuneration to link to the achievement of performance benchmarks, encourage direct involvement and interest in the performance of the Company, and enable the acquisition of a long term equity interest by its staff.

An eligible participant of the Scheme includes employees, executive and non-executive Directors and any individual whom the Board determines to be an eligible participant for the purposes of the Scheme.

5.3 ASX Listing Rule 7.1

Under Listing Rule 7.1, a listed company must not, without the approval of its ordinary shareholders, issue more than 15% of its equity securities in any 12 month period, unless an exception applies in ASX Listing Rule 7.2.

Exception 9 to ASX Listing Rule 7.2 provides that an issue of securities (eg the issue of the Rights under the Scheme) under an employee incentive plan (eg the Scheme) to Participants will be treated as an exception to Listing Rule 7.1 if, within 3 years before the due date of the grant of the securities, the shareholders of the listed company have approved the issue of the securities pursuant to the relevant employee incentive plan as an exception to Listing Rule 7.1. It is for the purpose of enabling the Company to exclude the issue of the Rights under the Scheme from the 15% limit in any 12 month period under Listing Rule 7.1 that Resolution 4 is proposed.

In that context, Shareholders should note that the Listing Rules do not require the Company to obtain Shareholder approval of the Scheme itself.

Up to 1,615,000 Rights have been reserved by the Company for issue under the Scheme to future Participants. The Board believes the number of Rights reserved for future Participants is appropriate considering the Company's need to attract further high quality staff. In the event the total number of Rights reserved under the Scheme is issued and all performance conditions are successfully achieved, the dilutory impact upon exercise of all Rights proposed under this Resolution is 3.5% of current ordinary share capital.

5.4 Summary of the Scheme Terms

(a) What is the Scheme?

The Scheme has been established for the purpose of offering Rights to Participants that require the Company to issue free Shares to them upon the satisfaction of certain conditions (**Milestones**). Exercise of the Rights is conditional on the Company achieving the following conditions:

Milestone	Percentage of the total number of Rights that crystallise and are able to be exercised by the Participant on Milestone being satisfied
Milestone 1 Either of the following events occur within 18 months of the date of the Scheme Booklet: • if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement or arrangement is entered into or completed; or • annualised sales royalty income of the Company exceeds \$2 million.	33% of Rights
Milestone 2 Any three of the following events occur within 36 months of the date of the Scheme Booklet: • if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement or arrangement is entered into or completed; • the Company's Share price based on a 10 day VWAP at any time within 90 days of the date of the Scheme Booklet exceeds \$1.50; • completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated "formal drug development candidates"; • identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or • annualised sales royalty income of the Company exceeds \$5 million.	67% of Rights
Any three of the following events occur within 48 months of the date of the Scheme Booklet: • if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement or arrangement is entered into or completed; • the Company's Share price based on a 10 day VWAP at any time within 90 days of the date of the Scheme Booklet exceeds \$1.75; • completion of necessary studies to have enabled the VGX-200 or VGX-300 series of molecules to be designated "formal drug development candidates";	100% of Rights

• identification of a putative biomarker/clinical profile to enable patient selection into Phase 2 clinical trials; or • annualised sales royalty income of the Company exceeds \$7.5 million.	
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Notwithstanding the vesting timetable above, 100% of the Rights will crystallise and be able to be exercised if:

- (i) the 10 day VWAP of the Company's Shares is not less than \$1.75 at any time;
- (ii) in the event of a sale, merger or takeover, or other similar event as determined by the Board, provided that the sale, merger or takeover effective offer price per Company Share as determined by the Board exceeds:
 - o \$1.30/share, if within 12 months of the date of the Scheme Booklet;
 - o \$1.50/share, if within 24 months of the date of the Scheme Booklet;
 - o \$1.75/share, if within 36 months of the date of the Scheme Booklet; or
 - o \$2.00/share, if within 48 months of the date of the Scheme Booklet; or
- (iii) if all of the events for Milestone 3 occur within 48 months of the date of the Scheme Booklet.

For each Right, the Participant will be entitled to require that the Company issues them one free Share. On each Milestone being achieved by the Company, the Participant will be entitled to exercise up to the total percentage (as noted in the table above) of their Rights. On exercise of the Participant's Rights, the Company will issue Shares (at no cost) to the Scheme Trustee to be held by it on the Participant's behalf.

The Participant will not be required to make any payment for either the Rights or the Shares. There is no stamp duty or brokerage applicable to or arising from the issue of the Rights or Shares (on exercise of the Rights).

(b) Who is eligible to participate?

All employees and executive and non-executive directors who have obtained a minimum of 3 months service with the Group as at 1 October 2010 are eligible to participate in the Scheme and will be made an offer of Rights under the Scheme. In order to accept the Offer and be granted Rights, the Participant must remain an employee or executive and non-executive director of the Group (as the case may be).

(c) How are the Rights exercised?

The Company will advise the Participant of the date that each of the conditions precedent to the Rights is satisfied. On receipt of that notification, the percentage (as noted above) of the total number of Rights allocated to the Participant may be exercised. The Participant may exercise some or all of those Rights by notice in writing to the Company requesting it issue to the Participant one free Share for each Right exercised.

(d) Who is the Shareholder?

The Participant will receive full legal ownership of the Shares on the earliest to occur of the date the Participant applies to have the Shares transferred to them (after satisfaction of the 'Transfer Conditions', as defined in the Scheme Rules), the date the Participant cease to be employed by the Company or the date that is 7 years after the issue of those Shares.

(e) Are there Transfer Conditions on the Shares?

The Company has determined that for this offer, once the Participant exercise their Rights, the Participant will not be able to request a release of their Shares from the Scheme Trustee until the earlier of the date the Participant ceases employment with the Group (excluding circumstances where the Participant's Shares are forfeited under the Scheme) or 1 July in the second full financial year following the year in which the Participant exercise their Rights.

(f) Shareholder's rights

The Participant may by notice in writing direct the Scheme Trustee how to vote the Shares held on trust for the Participant under the Scheme, either generally or in relation to a particular resolution. If the Participant does not direct the Scheme Trustee how to vote, the Company may do so on their behalf.

The Participant will also be entitled to participate in any bonus or rights issues (should they occur).

(g) Can the Participant sell the Shares?

If Shares are issued to a Participant, the Board has determined that the Participant's Shares will be held in the Scheme (on the Participant's behalf) by the Scheme Trustee for up to 7 years or until the earliest to occur of the following:

- if there are remaining conditions or transfer restrictions attaching to the Shares, those conditions / transfer restrictions are satisfied;
- if the Participant is fully entitled to the Shares, the Participant ceases to be employed by the Company; or
- the Board, in its absolute discretion, reduces or waives this condition and permits the Participant to withdraw the Shares from the Scheme if there are Special Circumstances,

in which case the Participant's Shares will be transferred to the Participant and the Participant may sell them if they wish.

(h) Leaving employment - Prior to satisfaction of any Milestones

Subject to the forfeiture provisions below, if the Participant elects to participate in the Scheme, but cease to be employed by the Group before any of the conditions attaching to the Rights are satisfied, the Participant's entitlement to the Rights will lapse and all rights to require that free Shares be issued to the Participant in respect of those Rights will cease.

(i) Leaving Employment - Following completion of one or more Milestones

Subject to the forfeiture provisions below, if the Participant ceases employment with the Group before all the conditions attaching to the Rights are satisfied, the percentage of the Rights that have not vested (i.e. those Rights in respect of which the conditions of exercise have not been satisfied) will lapse and all rights to require Shares be issued to the Participant in respect of those Rights will cease. The Participant will not be entitled to any compensation in respect of those Rights which are forfeited.

If the Participant ceases employment with the Group after all of the conditions attaching to the Rights are satisfied, the Participant will be permitted to retain all Rights allocated to the Participant and to exercise those Rights or, if the Rights have already been exercised, withdraw the resulting Shares from the Scheme and deal with them as the Participant wishes.

If the Participant ceases to be employed by the Group as a result of death or other Special Circumstances, including total and permanent disablement and redundancy, or as determined by

the Board - at the discretion of the Board, the Participant (or in the event of death, the Participant's legal personal representative) may be permitted to retain the Rights allocated to the Participant and, if the conditions attaching to those Rights are satisfied, the Participant may exercise those Rights and request free Shares be issued to them (**Accelerated Event**).

(j) **Forfeiture**

The Board may determine that the Participant's Rights and/or Shares (as the case may be) are to be forfeited (and, therefore, the Participant's ownership rights in those Rights / Shares lost) if:

- the Participant has a judgment entered against them in any criminal or civil proceedings in respect of the Participant's duties in their capacity as an officer or employee of the Group;
- in the Board's opinion, the Participant has done an act which has brought any member of the Group into disrepute; or
- in the Board's opinion, the Participant has committed an act of fraud, dishonesty, gross misconduct in relation to the affairs of the Group (whether or not the Participant is charged with an offence) or any act of harassment or discrimination or seriously breached any duty to the Group.

In all cases, all Rights / Shares will be liable to be forfeited. The Participant will not be entitled to any compensation in respect of Rights or Shares which are forfeited.

6. Grant of Conditional Rights to Mr Robert Klupacs (Resolution 5)

6.1 Conditional Rights Offered

Following the annual review of performance for the year ended 30 June 2010; in October 2010 the Board approved, subject to receipt of necessary shareholder approval, to grant Mr Robert Klupacs 520,000 Rights under the Scheme and, upon exercise of those Rights in accordance with the Milestones, the acquisition of 520,000 ordinary shares underlying those Rights.

If approved by Shareholders, the Rights would be granted pursuant to the terms and conditions of the Scheme. The Rights would be granted to Mr Klupacs as soon as practicable after the meeting and in any event, no later than 12 months from the date of the meeting.

6.2 Conversion of Conditional Rights into Shares

The Rights are proposed to be granted for no cash consideration and with a zero exercise price. Exercise of the Rights are subject to the conditions as described in section 5.4(a) of this Notice of AGM.

6.3 Legal Requirements

The grant of securities to a director under an employee incentive scheme requires the approval of shareholders under Listing Rule 10.14. Listing Rule 10.14 provides that a company must not permit a Director or their associates to acquire securities under an employee incentive scheme without shareholder approval. The Scheme constitutes an 'employee incentive scheme' under the Listing Rules.

6.4 Disclosures for the purposes of Listing Rule 10.14

It is proposed that Mr Klupacs will participate in the Scheme. As Mr Klupacs is a director of the Company, the approval of shareholders is required, with the notice of AGM to comply with either Listing Rule 10.15 or 10.15A. This Notice of AGM is proposed to comply with Listing Rule 10.15A. Other Directors are eligible to be offered the opportunity to join the Scheme, however as at the date of Notice of AGM, no such offer has been made.

The following disclosures are made for the purposes of Listing rule 10.15A:

- (a) the maximum number of Rights that can be awarded to Mr Klupacs under this approval is 520,000;
- (b) the price payable on the issue or exercise of each Right is nil;
- (c) no persons referred to in Listing Rule 10.14 have previously received approval to participate in the Scheme;
- (d) the names of all persons referred to in Listing rule 10.14 entitled to participate in the Scheme are as follows Mr Robert Klupacs, Ms Dominique Fisher, Mr Don Clarke, Dr Errol Malta, Ms Tina McMeckan, and Mr Carlo Montagner;
- (e) there is no loan proposed in relation to the proposed award of Rights to Mr Klupacs;
- (f) details of any Rights issued under the Scheme will be published in each annual report of the Company relating to a period in which the Rights have been issued, and that Resolution 5 was passed;
- (g) any person other than those listed above in sub paragraph (d) who becomes entitled to participate in the Scheme and who were not named in these Explanatory Notes will not participate until approval is obtained under Listing Rule 10.14; and
- (h) the Rights that are awarded to Mr Klupacs will be awarded no later than three years after the AGM but it is expected that 520,000 Rights will be granted no later than one month after the AGM.

6.5 Advantages and Disadvantages

The Board notes that advantages may accrue to the Company and Shareholders as a result of the passing of this Resolution. These advantages potentially include the alignment of Mr Klupacs's interests more closely with those of Shareholders, with a strong focus on the delivery of long term total Shareholder return.

The Board notes that disadvantages may accrue to the Company and Shareholders as a result of the passing of this Resolution. The only disadvantage identified by the Board is dilution to Shareholders' interest in the Company as a result of the grant of Shares under the Rights. On balance, the Board believes the advantages clearly outweigh the disadvantages.

6.6 What is the Board's recommendation?

The Board has agreed to approve the issue of Rights to Mr Klupacs to provide an incentive to improve the performance of the Company and, in turn, Shareholder value.

The Board considers the issue of Rights to Mr Klupacs in these circumstances to be appropriate and reasonable and recommends you vote in favour.

7. Approval of the Issue of Conditional Rights on Accelerated Event and Payment of Termination Benefit

7.1 Why is this resolution being proposed?

Shareholders may be aware of changes to the Corporations Act in November 2009 relating to 'golden handshake' provisions. Sections 200B and 200E of the Corporations Act prohibit the Company from giving a person (who holds or has held in the previous 3 years a managerial or executive office in the Group) a benefit in connection with that person's retirement from office, or position of employment in excess of that person's annual base salary, unless approved by shareholders or such benefit is exempt from the need for shareholder approval.

A consequence of the changes is that it may (in general terms) prohibit the Company from providing the benefit of converting an Executive Officer's Rights into Shares upon an Accelerated Event (such as redundancy) (the value of that benefit being the Acceleration Benefit). The value of the Acceleration Benefit, when combined with the Executive Officer's existing termination benefits payable in cash, may cause the combined termination benefit (including the Acceleration Benefit) to exceed the limit permitted under the Corporations Act without shareholder approval. Broadly the limit is prescribed as the average annual base salary of the relevant Executive Officer.

This resolution is proposed to seek Shareholder approval to pay or provide Mr Robert Klupacs a combined termination benefit (comprising both a payment in accordance with existing employment arrangements and the Acceleration Benefit) potentially in excess of his average annual base salary remuneration.

7.2 If you approve this resolution, what can the Company do?

Approval by Shareholders of Resolution 6 will give the Company authority to convert any Rights that Mr Klupacs may hold into shares upon an Accelerated Event, even if the value of the associated Acceleration Benefit, when combined with his existing termination benefit (described below as, in summary, an existing benefit of up to a 6 month notice period) exceeds his average annual base salary remuneration.

Approval of the Resolution 6 does not give the Board authority to:

- (a) pay ex-gratia golden handshakes to Mr Klupacs; nor
- (b) give authority to accelerate the vesting of any Rights.

7.3 Maximum benefit payable

- (a) Existing benefit

Mr Klupacs is eligible for up to a 6 month payment in lieu of notice period as a termination benefit (**Termination Benefit**). More detail on the Termination Benefit is provided below.

- (b) New proposed additional benefit

The introduction of the Scheme provides Mr Klupacs with an at-risk component to his remuneration package. The delivery of the benefit will depend on the date of the Scheme Booklet and satisfaction of the Milestones (subject to any earlier Acceleration Benefit occurring). Accordingly, benefits under the Scheme may accrue to Mr Klupacs, that arise from accelerated vesting of Rights under the Scheme in certain circumstances. Circumstances in which the accelerated vesting can occur include illness, death, redundancy and other circumstances where the Board determines that Mr Klupacs should be eligible to benefit from the accelerated vesting of the Rights.

The value of the Shares Mr Klupacs may receive under Scheme depend on whether the Milestones are met and the value of the Company's Shares at exercise. For example, in the case of the Mr Klupacs, assuming:

- (i) all Rights are converted to Shares;
- (ii) a \$0.90 share price,

the value would be \$468,000.

7.4 Background

As referred to above in section 5.4, Rights will only convert to Shares subject to:

- (a) the Milestones applicable to the Rights being met by the relevant date; or
- (b) an Accelerated Event occurring.

7.5 Accelerated Event

Rights granted under the Scheme will convert to Shares if an Accelerated Event has occurred. For the avoidance of doubt, if an Accelerated Event occurs, the Milestones do not apply to any of the Rights granted under the Scheme to Mr Klupacs.

An Accelerated Event includes any event under the Scheme where Rights are converted to Shares otherwise than in accordance with satisfaction of the Milestones, for instance where there is a takeover offer, merger or sale of the Company or another corporate control event. Further detail on an Accelerated Event is provided in section 5.4(i).

7.6 Termination Benefit

A Termination Benefit is payable where Mr Klupacs:

- (a) is entitled to receive a payment from the Company on termination of employment by the Company; or
- (b) is otherwise made redundant.

The amount of a Termination Benefit includes up to 6 months' pay in lieu of the Company giving notice of termination of office or employment, plus up to 100% of any short or long term incentive plan, if any, that is payable in cash (or where payment in case is one of the payment alternatives, excluding any benefit payable under the Scheme).

For the avoidance of doubt, the Company is seeking shareholder approval for the purposes of section 200B and 200E of the Corporations Act for Mr Klupacs to receive:

- (a) a benefit arising from the grant, vesting or conversion of Rights from time to time granted to him including as a result of an Accelerated Event; and
- (b) any Termination Benefit that is payable.

7.7 Legal Requirements – Accelerated Event and Termination Benefit

Subject to a number of exceptions, Shareholder approval must be given for the purposes of sections 200B and 200E of the Corporations Act for the Company to give a person a benefit in connection with that person's retirement from office, or position of employment, in a company or a related body corporate if:

- (a) the office or position is a managerial or executive office; and
- (b) the retiree has, at any time during the last three years before his or her retirement, held a managerial or executive office in the Company or a related body corporate.

The term 'benefit' has a wide operation and extends to:

- (a) early vesting of the Rights under any of the categories of Accelerated Event as described above; and
- (b) payment of any Termination Benefit (but excludes payments for accrued annual leave and long-service leave).

Resolution 6 has therefore been proposed to deal with Acceleration Benefits in respect of Rights granted under the Scheme and any payment of a Termination Benefit.

The Resolution applies to:

- (a) the Rights proposed to be granted under the Scheme to Mr Klupacs and such Rights vest in accordance with an Accelerated Event; and
- (b) any Termination Benefit payable to Mr Klupacs.

The value of any Acceleration Benefit cannot currently be ascertained. The details of the Acceleration Benefits for which approval is sought are as follows:

Description of benefit	Manner in which value to be calculated	Matters, events and circumstances that will, or are likely to, affect the calculation of value
Vesting of Rights if Mr Klupacs ceases employment, or is no longer in office, with the Company, prior to the satisfaction of a Milestone due to an Accelerated Event.	The Company will calculate the value of this benefit as being equal to the value of the number of Rights that vest, where that value is determined as being equal to the closing market price of a Share on ASX on the ASX trading day before the date of the calculation.	(a) The number of Rights held by Mr Klupacs prior to cessation of employment or loss of office with the Company; (b) the amount of time under the Scheme that has elapsed by the date that employment or office ceases; and (c) the closing market price of a Share on ASX on the ASX trading date before the date of calculation.

The amount of any Termination Benefit cannot currently be ascertained. The details of the Termination Benefit for which approval is sought are as follows:

Description of benefit	Manner in which value to be calculated	Matters, events and circumstances that will, or are likely to, affect the calculation of value
Payment of Termination Benefit where Mr Klupacs: (a) has his employment or position terminated on notice by the Company; or (b) is otherwise made redundant.	The Company will calculate the value of this benefit as including up to 6 months' pay in lieu of the Company giving notice of termination of office or employment plus up to 100% of any short or long term incentive plan, if any, that is payable in cash (or where payment in cash is one of the payment alternatives) excluding any benefit payable under the Scheme.	(a) The amount Mr Klupacs is entitled to receive from the Company by way of remuneration at the time of his termination; (b) The time after the commencement of the financial year that notice is served terminating employment; and (c) The proportion of any short or long term incentive plan, if any, that is payable in cash (or where payment in cash is one of the payment alternatives) excluding any benefit payable under the Scheme.

7.8 Advantages and Disadvantages

The Board notes that advantages may accrue to the Company and Shareholders as a result of the passing of this Resolution. These advantages include the continuing focus of the Company's Mr Klupacs on Shareholders' long term interests.

The Board recognises that the sector in which the Company operates is dynamic with significant merger and acquisition activity. The passing of this resolution will enable Mr Klupacs to receive any accrued benefits under the Scheme that may otherwise be lost or voided under a takeover or other Accelerated Event. The Board considers it advantageous that Mr Klupacs should be entitled, in these limited circumstances, to receive the benefits of any granted at-risk component of their remuneration.

The Board believes that keeping the senior executives focussed on long term value creation will be in the best interests of all Shareholders and considers this resolution will recognise its long term incentive commitment to Mr Klupacs.

The Board notes that disadvantages may accrue to the Company and Shareholders as a result of the passing of this Resolution. The only material disadvantage identified by the Board is dilution to Shareholders' interest in the Company as a result of the grant of Shares under the Rights. Further, it should be noted that approval of this resolution may cause the conversion of granted Rights that Mr Klupacs may hold into shares upon an Accelerated Event occurring. This conversion will occur irrespective of the Milestones being achieved. On balance, the Board believes the advantages clearly outweigh the disadvantages.

7.9 Board's Recommendation

The Board considers the adoption of this resolution to be appropriate and reasonable and recommends you vote in favour.

8. How to Vote

To vote on the Resolutions to be put to the AGM follow these steps:

- EITHER** 1. Complete and return the proxy form so that it is received by Computershare Investor Services Pty Limited, at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067 (hand delivery) or at GPO Box 242, Melbourne, Victoria, 3001 (postal delivery) or on facsimile number 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia), as soon as possible and in any event, not later than 48 hours prior to the time appointed for the AGM.
- OR** 2. Attend the AGM.

The sending of a proxy form will not prevent you from attending and voting at the AGM.

9. Glossary

Acceleration Benefit means the benefit to a Participant upon accelerated vesting of the Shares under the Scheme.

Acceleration Event includes any event under the Scheme where Rights are converted to Shares otherwise than in accordance with satisfaction of the Milestones, and is described in more detail in section 5.4(i).

AGM means the Annual General Meeting of the Shareholders of the Company to be held at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria on Thursday, 11 November 2010 at 10.00 am.

Annual Report means the annual report of the Company for the year ended 30 June 2010.

Board means the Board of the Directors.

Company means Circadian Technologies Limited.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means a director of the Company as at the date of this Notice of AGM.

Executive Officer means a person who holds a managerial or executive office in the Company or within the Group.

Group means the Company and its Related Bodies Corporate.

Listing Rules means the Listing Rules of the Australian Securities Exchange.

Milestone means a milestone that, in the absence of an Acceleration Event, must be achieved before a Right crystallises into a Share.

Notice of AGM means the notice of meeting attaching to and forming part of the Explanatory Notes, calling the Company's AGM to be held on 11 November 2010.

Participant means a participant in the Scheme.

Related Bodies Corporate has the meaning given to it in section 50 of the Corporations Act.

Resolution means a resolution (including a special resolution) set out in the Notice of AGM.

Rights means a conditional right under the Scheme.

Scheme means the Company's Employee Conditional Rights Scheme.

Scheme Booklet means the Scheme offer booklet sent to eligible employees of the Company in connection with the Scheme.

Scheme Rules means the rules governing the operation of the Scheme as amended from time to time.

Scheme Trustee means the trustee elected in connection with the Scheme, being either a wholly owned subsidiary of the Company or a third party trustee company.

Share means a fully paid ordinary share of the Company.

Shareholder means a holder of ordinary Shares.

Termination Benefit means a benefit payable to Mr Robert Klupacs upon his retirement from office and includes those events described in section 7.6.

Trust Deed means the trust deed under which the Scheme Trustee agrees to hold Scheme Shares on trust for the Participants for the purposes of the Scheme.

VWAP means Volume Weighted Average Price.

These Explanatory Notes are dated 11 October 2010.

If you have any questions about the AGM, the Resolutions to be put to the AGM or the proposals being considered, please contact the Company Secretary on 03 9826 0399.



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CONTENTS

We

With an extensive portfolio of products and intellectual property related to Vascular Endothelial Growth Factors (VEGFs), Circadian is well positioned to become a world-leading developer of novel biological cancer therapies.

believe

As we advance our drug-development pipeline towards its first human clinical trials, we are closer than ever to realising our potential to influence the future treatment of cancer worldwide.



We are

RIGOROUS

- A strong commitment to commercial and scientific rigour
- Well managed and well resourced
- Ethical and grounded decision-making

RESULTS DRIVEN

- Striving for tangible clinical results
- Investing in a team of experts that can deliver
- Focused on patient outcomes



ESTABLISHED

- Strong financial reserves
- High-quality IP and assets
- A solid platform from which to drive performance and outcomes

ENERGETIC

- A vigorous appetite for progress
- Innovative because we care
- Belief in potential

ACHIEVED

A key manufacturing milestone for VGX-300

PUBLISHED

Data showing VGX-100 has profound activity in animal models of cancer

ON TRACK

To commence VGX-100 clinical trials in 2011

INCREASED

Our partnership, including a licence with PerkinElmer

GRANTED KEY PATENTS

Key patents in Japan and other international sites

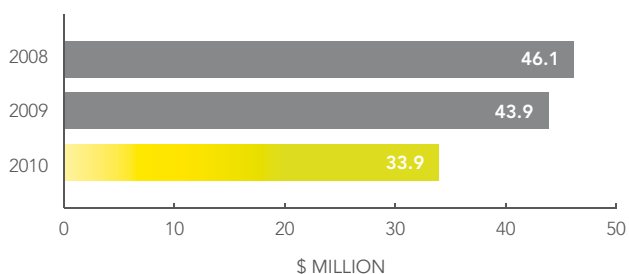
RECRUITED

World-recognised drug-development expertise at board and management level

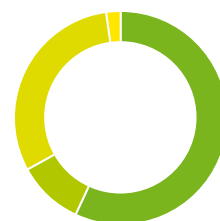
Operating highlights

CASH AND LISTED INVESTMENTS

As of 30 June



TOTAL OPERATING COSTS



OUR PRODUCT PIPELINE

DISCOVERY	RESEARCH PHASE	PRE-CLINICAL DEVELOPMENT	CLINICAL PHASE 1	LATE STAGE CLINICAL VALIDATION	ON MARKET	INDICATION
THERAPEUTICS						
VGX-100 (VEGF-C mAb)						SOLID TUMOURS & EYE DISEASES
VEGFR-3 Abs (ImClone – licensee)						SOLID TUMOURS
VGX-200 SERIES (VEGF-D mAbs)						SOLID TUMOURS & RESPIRATORY DISEASES
VGX-300 (VEGFR-3 receptor)						SOLID TUMOURS
DIAGNOSTICS						
CANCERS OF UNKNOWN PRIMARIES DIAGNOSTIC TEST (Healthscope – licensee)						CUP DIAGNOSTIC
VEGF-D DIAGNOSTICS						RESPIRATORY DISEASES
VEGF-C DIAGNOSTICS						ONCOLOGY

Note: Programs being conducted by partners are fully funded by them.

¹ Includes allocation of personnel costs.

CIRCADIAN: DEVELOPING NOVEL
ANTIBODY THERAPEUTICS FOR CANCER

OPERATIONS REPORT

Review by Robert Klupacs
Managing Director and Chief Executive Officer



Dear Shareholders

It is a pleasure to report to you on Circadian's progress in 2009/10. During the period, Circadian has made significant progress in the execution of our business strategy focused on the development of antibody-based therapies for cancer and other serious diseases. Our business strategy has four key components:

- advancing our drug-development pipeline into human clinical trials;
- the continued extension, strengthening and enforcement of our core intellectual property position covering VEGF technology;
- continuing to build partnerships for the commercialisation of our intellectual property rights; and
- ensuring that we have access to the people with requisite skill sets and experience to achieve success in our programs.

We have had significant advancement in each of these areas.

We are pleased to summarise our activities here and to share with you our future objectives.

ADVANCING OUR PRODUCT PIPELINE

Advancement of the VGX-100 (VEGF-C antibody) program

The Group has made good progress in its VGX-100 antibody program targeting the VEGF-C protein and is advancing towards our aim to file an IND with the FDA in respect of VGX-100 in the first half of 2011.

In April 2010, we presented data at the American Association for Cancer Research Annual Meeting in respect of VGX-100's effects in mouse models of cancer, demonstrating that VGX-100 significantly inhibited tumour growth in a variety of different animal models (tumour xenografts) of human cancer. This data indicates that, if clinically validated, VGX-100 has the potential to be a useful new treatment for some types of cancer.

Highlights of the data included the following findings:

- In a mouse model of human prostate cancer, treatment of animals with a triple combination of VGX-100, Avastin® and docetaxel inhibited tumour growth by 83.4%, as compared to only 35.8% in animals treated with Avastin® plus docetaxel alone. In the same study, animals treated with the triple combination were four times as likely to survive until the end of the study as animals treated with docetaxel alone. Survival was increased 2.7 times over animals treated with docetaxel plus Avastin®. 40% of animals treated with the triple

combination were tumour free at the conclusion of the study (tumours had been eradicated). This compared to none (0%) that were tumour free among the animals treated with docetaxel plus Avastin® and 20% among animals treated with docetaxel alone;

- In a glioblastoma animal model, VGX-100 added to Avastin® achieved a statistically significant improvement in tumour growth inhibition compared to untreated animals. The tumours in animals treated with VGX-100 plus Avastin® were on average 42% smaller than untreated control animals; and
- In a pancreatic cancer model, treatment with VGX-100 inhibited tumour growth similar to that achieved in animals treated with Avastin®.

Additional studies are on-going evaluating VGX-100 in a range of different tumour types in rodent cancer models.

We have also initiated studies with various groups around the world to assess VGX-100 in models on non-cancer-related diseases. Data from these collaborations is expected to become available in the second half of 2011.

We have successfully developed a commercially acceptable yielding production manufacturing process for VGX-100 and successfully completed the production of pilot batches of drug compound for use in animal pharmacokinetic and toxicology studies. Initial pharmacokinetic and toxicology studies have commenced.

As part of the planning for our clinical trials program we have also commenced large-scale cGMP production of VGX-100 with material sufficient for Phase I and Phase II clinical studies expected to be available in the first half of 2011.

Achievement of key manufacturing milestone for VGX-300 (soluble VEGFR-3) cancer drug candidate

We advised in last year's annual report that we expected to demonstrate manufacturability of VGX-300 in commercial quantities. In October 2009, Circadian announced the achievement of this milestone. Circadian has achieved the production of the VGX-300 protein in cell culture to enable production at gram quantities, which are sufficient to advance the anti-cancer product in pre-clinical studies. A series of pre-clinical studies in cancer and non-cancer animal models are continuing.

EXTENDING, STRENGTHENING AND ENFORCING OUR INTELLECTUAL PROPERTY POSITION

Successful prosecution of key strategic patents

In August 2009, Vegenics was granted a patent in Japan claiming the VEGF-C protein, VEGF-C gene and antibodies to VEGF-C as well as the use of these molecules in a broad spectrum of therapeutic indications, including the treatment of cancer.

This Japanese patent, together with the large number of VEGF-C patents granted in the US and Europe, provides the Group with a major commercial advantage and access to the world's major pharmaceutical markets. Japan is the world's second largest market for pharmaceuticals after the US, comprising around 11%.

Termination of licence to Ark Therapeutics and arbitration proceedings with Lymphatix

On 29 October 2009, Circadian's wholly-owned subsidiary Vegenics Limited terminated the licence previously granted to Ark Therapeutics Limited, under its VEGF-D gene therapy intellectual property (IP) to exploit Ark's product Trinam™. The licence was terminated for non-payment of fees.

Trinam™, which is currently undergoing Phase III clinical trials, is a treatment being developed by Ark to extend the functioning of intravenous access grafts used by kidney dialysis patients.

Circadian, through Vegenics, also commenced arbitration proceedings against Ark's Finnish subsidiary, Lymphatix Oy, to rule out Ark's claim that it retains a licence covering the use of Vegenics' IP in Trinam™ through Lymphatix (Lymphatix has a licence from Vegenics for certain VEGF-C and VEGF-D gene therapy rights). Circadian is strongly of the view that Lymphatix, and therefore its parent Ark, have no rights to use Vegenics' IP to sell Trinam™ under the Lymphatix licence.

Circadian initiated these actions to ensure that these matters can be resolved and clarified before Trinam™ comes to the market in the next two to three years, assuming ongoing Phase III trials are successful.

The arbitration procedure is continuing under the auspices of The Finnish Arbitration Tribunal. A hearing date has been set for mid December 2010 in Helsinki.

PARTNERSHIP DEVELOPMENTS

Cancer of Unknown Primary (CUP) origin diagnostic – Healthscope Limited

In February 2009, we announced that we had entered into a strategic partnership with Healthscope Limited, one of Australia's largest healthcare providers, to commercialise a diagnostic technology for CUP. Under the terms of the agreement, Healthscope will develop, clinically validate and market the CUP test throughout Australia, New Zealand, Singapore and Malaysia (this is being funded by Healthscope). Circadian received an upfront fee, and will earn development milestones and royalties on sales of the test. Circadian retains all rights to the test throughout the remainder of the world. The technology was jointly developed through a research partnership between Circadian and the Peter MacCallum Cancer Centre.

Cancer of Unknown Primary origin is generally less well known and publicised than other cancer types. However, it is actually more common than leukaemia and is the fourth most common cause of cancer deaths in Australia. 'CUP' refers to a complex form of cancer in which the site of origin of a tumour cannot be identified using standard techniques. The inability to identify a primary site of cancer poses many challenges, given that the primary site of cancer usually dictates the treatment, expected outcome and overall survival.

Healthscope has continued to invest considerable time and effort into the development of this product. Although the status of development must remain commercial-in-confidence, Healthscope continues to advise that they are targeting a product launch in late 2010/early 2011.

Healthscope has received exclusive rights to market the CUP test in Australia, New Zealand, Singapore and Malaysia in return for undertaking all research costs, providing licence fees and royalties on sales. Circadian retains rights to all other parts of the world.

VEGFR-3 therapeutic antibody (IMC-3C5) – ImClone, an Eli Lilly Company

In October 2008, Circadian announced that our licensee, ImClone Systems, had designated the human therapeutic antibody IMC-3C5 as a formal pre-clinical development candidate. IMC-3C5 is an antibody that neutralises VEGFR-3. Although the status of development remains commercial-in-confidence, ImClone has indicated that it plans to file an Investigational New Drug (IND) application to initiate human clinical trials for oncology indications sometime in late 2010.

ImClone has exclusive rights from Vegenics to develop the VEGFR-3 antibody in return for annual licence fees and royalties on potential future product sales.

Licence to PerkinElmer with worldwide rights to market research products

In September 2009, the Group entered into an agreement with US company PerkinElmer Inc (NYSE:PKI), providing it with a worldwide licence to market research products to life science researchers, incorporating the Group's VEGF technology. Although the initial financial benefit of this agreement to Circadian was relatively modest, it is expected that it could lead to greater benefits for Circadian's current or future product development from further research findings implicating the important role of VEGF-C and VEGF-D in cancer and other diseases.

BUILDING AN OUTSTANDING MANAGEMENT AND ADVISORY TEAM

New addition to the Board of Directors

On 20 August 2009, Dr Errol Malta joined the Board of Circadian as a non-executive director. Dr Malta has been the Chairman of the Company's Product Development Review Committee since its inception in 2008 and continues in this role. Dr Malta has more than 20 years' experience in drug development within the pharmaceutical/biotechnology industry, including at US company Amgen Inc. He has been responsible for five successful new-molecule IND submissions to FDA and other regulatory agencies, subsequent Phase I/II programs, and a number of Phase III and IV trials.

New addition to the Executive Management Team

Circadian has successfully recruited another key staff member during the year. Mr Mark Sullivan, who joined the Company in August 2009, has been engaged as Circadian's Head of Development. Mr Sullivan, BSc, has 18 years' experience in the development of therapeutics, vaccines and microbicides, and was formerly with Glaxo/GlaxoWellcome (now GSK) in London for 10 years and Gilead Sciences in San Francisco for two years. He has an extensive clinical research background through all phases of clinical drug development.

THE NEXT 12–24 MONTHS

We are targeting the following key events for the next 12–24 months:

- completion of the first phase of development of CUP diagnostic test by Healthscope;
- IND filing by ImClone in respect of the VEGFR-3 antibody designated IMC-3C5 and subsequent commencement of clinical trials;
- commencement of formal GLP (Good Laboratory Practice) toxicology studies with VGX-100;
- IND filing in respect of VGX-100 and subsequent commencement of clinical trials;
- resolution of arbitration proceedings with Lymphatix in respect of specified VEGF-D gene therapy rights;
- generation of additional data in animal models on non-cancer-related diseases to support development in non-cancer disease settings;
- development of tests for the measurement of VEGF-C, VEGF-D and/or VEGFR-3 in blood as diagnostic assays for particular clinical conditions; and
- continuing extension to our IP portfolio covering VEGF-C, VEGF-D and/or VEGFR-3 through patent grants in Europe, Japan and the US.

With a continuing and enhanced focus on drug development, a strong Board of Directors, management and advisory team, and a strong financial position, we look forward to consolidating the successes of the past year and building value for shareholders in the future.



Robert Klupacs
Managing Director and Chief Executive Officer

19 August 2010

FURTHER INFORMATION

Our product pipeline

Circadian's product pipeline comprises:

- four drug-development programs
 - including three monoclonal antibody products;
 - targeting different mediators of the process of angiogenesis; and
 - focusing on treatments for cancer;
- a diagnostic test for Cancers of Unknown Primaries.

OUR STRATEGY

Our business is to develop new biological therapeutic products that can inhibit angiogenesis, primarily antibody-based therapies for cancer. This is based on our extensive intellectual property (IP) and know-how relating to Vascular Endothelial Growth Factors (VEGF) C, D and R3.

A focus on developing antibody and protein therapeutics

In contrast to traditional small molecule pharmaceuticals, therapeutic antibodies have been shown to have at least two major advantages. They are much more specific than traditional small molecules, enabling them to target specific pathways involved in disease, and secondly, they have been shown to have much less toxicity as a class than traditional small molecules. Over the past 10 years, therapeutic antibodies such as Avastin®, Herceptin®, Erbitux® and Mabthera® have had a major impact in the treatment of cancers. The impact of highly targeted therapies in treatment and on the pharmaceutical industry generally was highlighted in a recent report from Evaluate Pharma, a leading industry market research organisation, which predicted that by 2014, four of the best-selling drugs in the world will be antibodies and three of these will be antibody-based anti-cancer agents.

Our objectives are to:

- continue to drive the development of our current VGX-100, VGX-200 and VGX-300 cancer therapeutic programs;
- secure development partnerships with larger pharmaceutical and/or biotechnology companies for one or more of these therapeutic programs;
- retain development of one selected therapeutic to proof of efficacy in humans and partner thereafter; and
- selectively exploit/commercialise other aspects of the portfolio, namely:
 - therapeutics outside the oncology area; and
 - clinical diagnostics and reagents for potential early revenues.

Particularly in the field of angiogenesis and therapeutic antibodies there is potential for partnerships at the pre-clinical stage of drug development. This is based on the demonstrated willingness of large pharmaceutical and biotech companies in the last 18 or so months to sign up early-stage deals in this field. These factors contribute to aspects of our commercialisation strategy.

Further, our IP also has applications in a number of other areas. Accordingly, there are a number of large market opportunities outside of oncology available to us to develop therapeutics either ourselves or in partnership with others.

OUR TECHNOLOGY

Inhibiting angiogenesis and lymphangiogenesis – a powerful new treatment approach for cancer

VEGF proteins

Circadian's technology is centred on two members of the VEGF family of proteins, VEGF-C and VEGF-D, and their activation of the VEGF receptors. These proteins promote the key biological processes of blood vessel development (VEGFR-2) and lymphatic vessel development (VEGFR-3), known as angiogenesis and lymphangiogenesis, respectively.

Angiogenesis and lymphangiogenesis

The growth of tumours is known to depend on the formation of new blood vessels to carry nutrients and oxygen to the new tissue. Targeting the process of angiogenesis has been a major breakthrough in anti-cancer therapeutics – an approach that led to the commercialisation of multi-billion-dollar drug Avastin®, a monoclonal antibody against VEGF-A. While Avastin® has been demonstrated to be effective in fighting cancer, clinical results indicate that its effect in inhibiting angiogenesis is only partial. Hence, there is a need for auxiliary or improved anti-angiogenesis agents. In addition to regulating fluid levels in the body, the lymphatic system plays an important role in cancer progression. Lymph is filtered in the lymph nodes, trapping cancer cells that leave the site of a primary cancer. Recent evidence suggests that new lymphatic vessels formed by certain tumours (for example, breast cancer) are a major means of spreading cancer to other sites in the body. Tumour spread is often the primary cause of cancer mortality, and inhibiting lymphangiogenesis may therefore represent a powerful approach to preventing cancer spread.

About VEGF-C, VEGF-D and VEGFR-3

Closely related to VEGF-A (the target of Avastin®), proteins VEGF-C and VEGF-D bind to VEGF receptors, promoting both angiogenesis and lymphangiogenesis. VEGFR-3 is a receptor protein embedded in the plasma membrane of the cells that form lymphatic capillaries. Recently, work from the laboratory of the highly respected researcher Professor Kari Alitalo (University of Helsinki) has shown that VEGFR-3 plays an important role in cancer angiogenesis by guiding new blood vessels towards tumours. Studies by Circadian's scientists and its collaborators have shown that VEGFR-3 also plays an essential role in lymphatic vessel development. These studies have led to a surge of interest in VEGF-C, VEGF-D and VEGFR-3 as potential new targets for anti-cancer therapy.

VEGFR-3 as an anti-cancer target

Several recent findings have further enhanced interest in VEGFR-3 as an important new drug target for cancer. These include:

- Over-expression of VEGFR-3 or its activators VEGF-C and VEGF-D correlates with poor prognosis in a variety of cancer types (as documented extensively in scientific publications);
- Circadian and its collaborators have shown that blocking VEGFR-3 or VEGF-C and VEGF-D inhibits tumour growth in various animal models. In addition, the VEGFR-3 pathway has certain properties that make it especially attractive as a drug target;
- VEGFR-3 is expressed at the cell surface, so it is accessible to biotherapeutics such as antibodies or soluble receptor drugs; and
- The signalling pathway of VEGFR-3 is well understood, which facilitates the evaluation or ruling out of potential side-effects or toxicities.

Anti-cancer compounds

Inhibitors of VEGF-C, VEGF-D and VEGFR-3 block the activity of these proteins in a similar, but alternative, way to the multi-billion-dollar drug Avastin®. As such, inhibitors of VEGF-C and VEGF-D have the potential to block blood vessel growth in tumours that are resistant, or have developed resistance, to anti-VEGF-A therapy. When used in combination with drugs like Avastin®, inhibitors of VEGF-C and VEGF-D may more effectively shut down angiogenesis. Inhibitors of VEGF-C, VEGF-D and VEGFR-3 also have the potential to limit the spread of tumours – which is often the fatal event in cancer progression – through their effect on lymphangiogenesis. Anti-VEGF-A therapeutics have not shown efficacy in blocking the spread of tumours through the lymphatic system.

Intellectual property

Circadian owns the world's most extensive IP portfolio related to VEGF-C, VEGF-D and VEGFR-3. These rights were originally licensed or assigned from a variety of parties, including the Ludwig Institute for Cancer Research Ltd, the University of Helsinki and Human Genome Sciences. Circadian's rights to develop antibody-based drugs to these proteins are protected worldwide and some as far into the future as 2025.

Other disease applications

While Circadian is focusing primarily upon cancer, VEGF technology also has applications in other diseases. Shutting down angiogenesis and/or lymphatic vessel growth is important in eye diseases, including age-related macular degeneration and diabetic retinopathy. Circadian has licensed some of its IP to other companies for exploration of these therapeutic opportunities.

INHERENT RISKS OF INVESTMENT IN BIOTECHNOLOGY COMPANIES

Some of the risks inherent in the development of a product to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of the necessary drug regulatory authority approvals and difficulties caused by the rapid advancements in technology. Also, a particular compound may fail the clinical development process through lack of efficacy or safety. Companies such as Circadian are dependent on the success of their research and development projects and technology investments. Investment in research and development projects and technology-related companies cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Thus, investment in these areas must be regarded as speculative, taking into account these considerations.

This annual report may contain forward-looking statements regarding the potential of the Group's projects and interests, and the development and therapeutic potential of the Group's research and development projects. Any statement describing a goal, expectation, intention or belief of the Group is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising drugs that are safe and effective for use as human therapeutics and the financing of such activities. There is no guarantee that the Group's research and development projects and interests (where applicable) will be successful or receive regulatory approvals or prove to be commercially successful in the future.

Actual results of further research could differ from those projected or detailed in this report. As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these and other risks concerning the Group's research and development program referred to in this annual report for the period ended 30 June 2010.

MANAGEMENT TEAM

ROBERT KLUPACS,
BSc(Hons), Grad Dip IP Law, MAIPA
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

Robert Klupacs joined Circadian in August 2005 and was appointed Managing Director in March 2008. He is an intellectual property expert and entrepreneur with an extensive history of launching and managing successful ventures in the biotechnology industry. Robert was the driving force behind the founding of Vegenics Limited, Circadian's major subsidiary. Prior to joining Circadian, he was founder and Chief Executive Officer of ES Cell International Pte Ltd (ESI), based in Singapore, a world leader in the development of human embryonic stem cell technology. From 1999 to 2001, he was Chief Operating Officer of the Monash Institute of Reproduction and Development, where he founded six start-up companies. Prior to that he was employed by Amrad Pharmaceuticals (since acquired by CSL) from 1988 until 1999, where he was Director of Intellectual Property and a member of the executive team. He holds a BSc(Hons) from Monash University in Pharmacology and is a registered Australian patent attorney.

SUSAN MADDEN,
BBus, CPA
COMPANY SECRETARY
AND FINANCE MANAGER

Susan Madden, who is also the Company's Finance Manager, was appointed Company Secretary of Circadian on 14 May 2010 and has been the Finance Manager since September 2009. Prior to holding this position, she was the Finance Manager for over three years at the Cancer Council of Victoria and held several senior finance positions during her 14 years with the Shell Company of Australia Limited. Ms Madden is also the Company Secretary for Vegenics Limited and other Circadian subsidiary companies, and holds a seat on the Finance and Audit Committee for BreastScreen Victoria.

RICHARD CHADWICK,
PhD
HEAD OF INTELLECTUAL
PROPERTY

Richard Chadwick, who joined Circadian in February 2008, is qualified as both a European and Australian patent attorney. Richard joined Circadian from FB Rice & Co, where he had been working for five years in the Biotechnology Group. Prior to that, Richard had 10 years' experience in intellectual property in the UK. This included working as an in-house attorney at Dow Corning Limited and five years working as an in-house attorney at Unilever.



MARK SULLIVAN,
BSc
HEAD OF DEVELOPMENT

Mark Sullivan has 20 years' experience in the development of small molecules, therapeutic and prophylactic vaccines and microbicides. He is the founder and Director of Medicines Development and was formerly with Glaxo/GlaxoWellcome (now GSK) in London for 10 years, Gilead Sciences in San Francisco for two years and University of New South Wales for three years.

Mark has a clinical research background that encompasses first-in-man, proof-of-concept, pivotal Phase II and III studies, regulatory submission (two New Drug applications with the FDA/Marketing Authorisation Applications through the EMEA), Phase IIIb and Phase IV. Mark has worked on three development programs that have progressed through successful registration, namely 3TC for HIV (Phases I to III) and 3TC (Phases II to IV), and adefovir dipivoxil for chronic hepatitis B (Phases III to IV), including global registration. He has lead the development of prophylactic and therapeutic vaccines for HIV and both small molecule and biologics for a number of indications.

SUSAN FORAN,
MPharm
HEAD OF TOXICOLOGY AND
PROJECT MANAGEMENT

Susan Foran is a qualified pharmacist with broad expertise in product development, project management and medical affairs. Her previous experience includes roles with leading multinational firms GlaxoSmithKline and Kendle Pty Ltd, and with small biotechnology companies. In these roles, she contributed to the development of numerous products, including pre-clinical, clinical and post-marketing programs. Susan has also managed her own consultancy business, providing product development advice and project management services to a number of Australian biotechnology companies.

MEGAN BALDWIN,
PhD
HEAD OF PRE-CLINICAL R&D

Megan Baldwin joined Circadian in January 2008 and is responsible for research and development of Circadian's product pipeline. Prior to joining Circadian, she was employed at Genentech, the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In this role, she developed extensive knowledge of the angiogenesis and cancer fields. Megan has a scientific background of more than 10 years, focused on angiogenesis and therapeutic strategies for oncology indications. She holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research.

ANGUS TESTER,
PhD
SENIOR RESEARCH
SCIENTIST

Angus Tester has held the position of Senior Scientist at Circadian since February 2009. He is responsible for conducting and managing the pre-clinical research undertaken at the Circadian research laboratory, located within the Ludwig Institute of Cancer Research. Angus completed his PhD in Biochemistry at Monash University and subsequently has spent over 10 years working in the field of cancer research. He has gained extensive skills and experience using models of human cancer within laboratories based in both Australia and North America.

MIKE GEROMETTA,
PhD
HEAD OF CMC
DEVELOPMENT

Mike Gerometta has been with Circadian since December 2008 and is principally responsible for the outsourcing of Vegenics' research and cGMP manufacturing activities. Mike has over 20 years' experience in the Australian biotechnology industry, most recently as Chief Operating Officer of Q-Gen, QIMR's translational research, manufacturing arm. He has also spent 19 years at Agen Biomedical, occupying a variety of positions and roles, most recently as Research and Product Development Director. In this role he was responsible for the chemistry, manufacturing and controls (CMC), pre-clinical program and patent management for Agen's ThromboView® project, a blood clot imaging agent. Previously, he has worked at Biotech Australia, Sydney, and together with earlier positions at Agen, developed numerous successful immunodiagnostic assays for the medical, veterinary and food industries across various diagnostic platforms for the laboratory and point-of-care. He was awarded his PhD in biotechnology from the Queensland University of Technology and has a degree in chemistry from the University of Technology in Sydney.

BRAD McCOLL,
PhD
SCIENTIFIC PROJECT
MANAGER

Brad McColl joined Circadian in July 2009 to provide pre-clinical scientific support for the Circadian development program. Prior to joining Circadian, he was a National Health & Medical Research Council post-doctoral fellow, working in research at the Peter MacCallum Cancer Centre and for three years at the London branch of the Ludwig Institute for Cancer Research and Kings College London. Brad holds a PhD from the faculty of Medicine, Dentistry and Health Sciences at the University of Melbourne. His PhD studies examining the biochemistry of VEGF-D were undertaken from 2001 to 2005 at the Melbourne branch of the Ludwig Institute for Cancer Research.

BOARD OF DIRECTORS

DOMINIQUE FISHER,
BA(Hons), MAICD
NON-EXECUTIVE CHAIRMAN

Dominique Fisher was appointed a non-executive director of Circadian in September 2005. She became Chairman of the Board in the subsequent month and is a member of the Company's Audit Committee. She has extensive business experience in the corporate area, including the commercialisation of new technologies. Ms Fisher is Principal and Executive Director of EC Strategies Pty Ltd, which advises local and offshore companies on technology strategies and major commercial transactions. She is Chairman of Sky Technologies Pty Ltd, Managing Director of Helix Digital Pty Ltd and is a member of the Prostate Cancer Foundation Victoria. Her past appointments have included Councillor of the Australia Council of the Arts and Chairman of its Dance Board, Insurance Australia Group Limited (IAG), NRMA, the Malthouse Theatre, Sydney Opera House and member of the ICT Advisory Board, advising the Federal Government on key issues affecting the development of the information technology and communications sector. In March 2007, Ms Fisher was appointed a non-executive director of Pacific Brands Limited and is a member of its Audit and Risk Committee.

ROBERT KLUPACS,
BSc(Hons), Grad Dip IP Law, MAIPA
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

Robert Klupacs joined Circadian in August 2005 and was appointed Managing Director in March 2008. He is an intellectual property expert and entrepreneur with an extensive history of launching and managing successful ventures in the biotechnology industry. Robert was the driving force behind the founding of Vegenics Limited, Circadian's major subsidiary. Prior to joining Circadian, he was founder and Chief Executive Officer of ES Cell International Pte Ltd (ESI), based in Singapore, a world leader in the development of human embryonic stem cell technology. From 1999 to 2001, he was Chief Operating Officer of the Monash Institute of Reproduction and Development, where he founded six start-up companies. Prior to that he was employed by Amrad Pharmaceuticals (since acquired by CSL) from 1988 until 1999, where he was Director of Intellectual Property and a member of the executive team. He holds a BSc(Hons) from Monash University in Pharmacology and is a registered Australian patent attorney.

DON CLARKE,
LLB(Hons)
NON-EXECUTIVE DIRECTOR

Don Clarke was appointed a non-executive director of Circadian in September 2005. He is Chairman of the Remuneration Committee and a member of the Audit Committee. He has been a partner of the law firm Minter Ellison since 1988, having joined that firm in 1980. Mr Clarke has a broad commercial practice (involving predominantly ASX listed companies in the SME sector and larger private companies) and experience across a broad sector of industries. He is also a non-executive director of the ASX listed company Webjet Limited (appointed January 2008), and a former director of Calzada Limited (formerly Metabolic Pharmaceuticals Limited).



TINA McMECKAN,
BLibArts&Sc, MBA, FAICD
NON-EXECUTIVE DIRECTOR

Tina McMeckan was appointed a non-executive director of Circadian in January 2008 and is Chairman of the Audit Committee. Her specific skills are in the commercialisation of science and technology and the energy sector. Ms McMeckan is presently Chairman of the Centre for Eye Research Australia and NanoVentures Australia Ltd, a director of the Vision Cooperative Research Centre, Spatial Information Systems Ltd and the Global Carbon Capture and Storage Institute, Metlink Pty Ltd, and is also a member of the National Board of Norton Rose law firm (formerly Deacons). She is a past member of the Funds Management Committee of the AusIndustry Research and Development Board and has held senior investment management positions with the Australian Industry Development Corporation and Amrad Corporation Ltd (acquired by CSL Limited), focusing on capital raisings for innovation-based ventures. She also has extensive board expertise in public and private utility infrastructure, including power production, networks and retailing business in the gas and electricity industries. Her other directorships have included United Energy, Snowy Hydro Trading, the Westar and Kinetik Energy Group, Victorian Power Exchange, Solaris Power and the formerly listed company Alinta Limited (October 2003 to August 2007).

ERROL MALTA,
BSc(Hons) PhD (Pharmacology)
NON-EXECUTIVE DIRECTOR

Dr Errol Malta was appointed a non-executive director of Circadian on 20 August 2009. He is also Chairman of the Company's Product Development Review Committee. Dr Malta has more than 20 years' experience in drug development within the pharmaceutical industry, including more than 10 years with Amgen Inc, the world's largest independent biotechnology company. In his role as Product Development Team Leader, Dr Malta was responsible for five successful new-molecule IND submissions to FDA and other regulatory agencies, subsequent Phase I/II programs, and numerous Phase III and IV trials. He has been a consultant to over 20 biotechnology companies in early phase product development in Australia and the US. Dr Malta has held previous director positions in the Australian biotechnology sector with Alchemia Ltd, Avexa Ltd, NeuProtect Pty Ltd, NexPep Pty Ltd, Promics Ltd and Cortical Pty Ltd. He is a PhD graduate of the University of Melbourne and a Fellow of the Australian Institute of Company Directors.

CARLO MONTAGNER,
BSc, MSc, Grad Dip Child
Psychology
NON-EXECUTIVE DIRECTOR

Carlo Montagner was appointed a non-executive director of Circadian on 1 July 2008 and is a member of Circadian's Product Development Review Committee and Remuneration Committee. He has a wealth of experience in heading global oncology businesses for chemotherapeutic products and has more than 16 years' experience in the pharmaceutical industry in the US, Europe, Japan and Australia. During his career, Mr Montagner has built specialty oncology practices, managing the strategic integration of both clinical and commercial aspects of drug portfolios. He was Executive Vice President & Global Head of Schering AG/Berlex Labs USA Oncology Business Unit. He has also held various positions at Aventis Pharma, including Head of Oncology & Cardiovascular Business Unit at Sanofi-Aventis Japan and Global Senior Director of Marketing and Medical Affairs, managing the Taxanes chemotherapy portfolio. Mr Montagner is a director of Abraxis Bioscience Australia Pty Ltd, CEO of privately held Specialised Therapeutics Australia and is a member of the Australian Institute of Company Directors. He also holds a non-executive director position with ASX listed company Alchemia Limited, whose Board he joined in March 2008.

JONATHAN SKIPPER,
PhD
NON-EXECUTIVE DIRECTOR

Dr Jonathan Skipper was appointed a non-executive director of Circadian on 14 August 2008. He was formerly non-executive director of Vegenics Limited (a Circadian subsidiary). Dr Skipper is Executive Director of the Ludwig Institute for Cancer Research Ltd (Executive Director for Intellectual Property and Licensing) and has 13 years' experience with the Ludwig Institute for Cancer Research (LICR) in intellectual property management and technology licensing. He has scientific expertise in cancer biology and has completed a number of licensing contracts with large pharmaceutical companies. Dr Skipper is also the director of LICR's Office for Intellectual Property. Whilst at LICR, he has held various positions, including Associate Director for Intellectual Property and Licensing, Director of the Office for Program Development and Manager, Office for Intellectual Property. Prior to joining LICR, Dr Skipper obtained his PhD in Immunology from University College London, and conducted further research at the University of Virginia and the University of Oxford.

Back (left to right): Robert Klupacs,
Carlo Montagner, Jonathan Skipper
and Tina McMeckan

Front (left to right): Don Clarke,
Dominique Fisher and Errol Malta

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

The Board of Directors of Circadian Technologies Limited (Circadian or Company) submits its report for the year ended 30 June 2010 for Circadian and its subsidiaries (the Group).

DIRECTORS

The names of the Company's directors in office during the financial year and until the date of this report are as follows:

Dominique Fisher	Non-executive Chairman
Robert Klupacs	Managing Director and Chief Executive Officer
Don Clarke	Non-executive director
Tina McMeckan	Non-executive director
Errol Malta	Non-executive director (appointed 20 August 2009)
Carlo Montagner	Non-executive director
Jonathan Skipper	Non-executive director

COMPANY SECRETARY

Susan Madden, BBus, CPA

Susan Madden, who is also the Company's Finance Manager, was appointed Company Secretary of Circadian on 14 May 2010 and has been the Finance Manager since September 2009. Prior to holding this position, she was the Finance Manager for over three years at the Cancer Council of Victoria and held several senior finance positions during her 14 years with the Shell Company of Australia Limited. Ms Madden is also the Company Secretary for Vegenics Limited and other Circadian subsidiary companies, and holds a seat on the Finance and Audit Committee for BreastScreen Victoria.

DIRECTORS' INTERESTS

At the date of this report, the interests of each director of the Company in the contributed equity and share options of the Company are as follows:

	Number of shares held directly	Number of shares held indirectly	Number of options over ordinary shares
Dominique Fisher	-	117,500	-
Robert Klupacs	124,481	-	1,000,000
Don Clarke	-	80,000	-
Tina McMeckan	30,000	-	-
Errol Malta	50,000	-	-
Carlo Montagner	22,058	-	-
Jonathan Skipper	-	-	-

SHARE OPTIONS AND PERFORMANCE RIGHTS

Unissued shares

As at balance date and the date of this report, details of Circadian's unissued ordinary shares or interests under option are as follows:

Unissued ordinary shares:

Number of deferred shares 1,155,000

As part of the consideration for the acquisition of the non-controlled interests in Vegenics Limited (Vegenics) on 14 August 2008, 1,155,000 Circadian shares were issued on the next business day following the second anniversary of the date of Circadian's acquisition of the non-controlled interests in Vegenics (i.e. 16 August 2010).

Options:

Number of shares under option	1,367,694	99,305	500,000	881,667	100,000	100,000
Exercise prices	\$1.50	\$1.50	\$1.30	\$1.00	\$1.00	\$1.00
Vesting date [^]	8/2/2011	9/3/2011	8/2/2011	15/9/2011	15/12/2011	26/6/2012
Expiry date	8/2/2012	9/3/2012	8/2/2012	15/9/2012	15/12/2012	26/6/2013

[^]These dates are the first exercise date if the options vest. The vesting dates are the dates when share price hurdles are met for each of the three tranches of options granted, which are \$1.875, \$2.25 and \$2.625 for the options with a \$1.50 exercise price, \$1.625, \$1.95 and \$2.275 for the options with a \$1.30 exercise price and \$1.25, \$1.50 and \$1.75 for the options with a \$1.00 exercise price (see the Remuneration Report for further details). The Company's share price at 30 June 2010 was \$0.52.

Refer to the section in this report headed "Remuneration Report" for details on the terms and conditions of the options granted under the Company's option plan.

No options were exercised during the financial year.

DIVIDENDS

No cash dividends have been paid, declared or recommended during or since the end of the financial year by the Company.

PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

Circadian's principal activity is to develop and commercialise therapies primarily for cancer as well as for other serious diseases. Circadian moved from being a biotechnology investor and incubator of early-stage technologies to a developer of angiogenesis-based biological therapeutics, including antibodies, for cancer and other serious diseases pursuant to the strategy it announced to the market in June 2008, and has continued to develop the business in line with this strategy in 2010 (also see the Operations Report). The extensive intellectual property portfolio covering key targets (Vascular Endothelial Growth Factors C and D and R3) for the treatment of diseases associated with angiogenesis has been accumulated in Circadian's 100%-owned unlisted subsidiary Vegenics. The therapeutic applications for the VEGF technology, which functions in regulating blood supply (angiogenesis), are substantial and broad.

OPERATING AND FINANCIAL REVIEW

Results

Financial performance

The results for the period predominantly reflect the Group's investment in advancing its cancer-treatment programs VGX-100, VGX-200 and VGX-300.

A summary of the results is as follows:

- The consolidated net loss of the Group for the year was \$6,948,240 after an income tax expense of \$109,502 (2009: loss of \$9,921,670 after an income tax expense of \$45,867).
- Consolidated cash balance as at 30 June 2010 amounted to \$31,855,169 (2009: \$38,836,560).
- The net tangible asset backing per share as at 30 June 2010 was \$0.77 (2009: \$0.86), whereas Circadian's share price was \$0.52 (2009: \$0.73).
- Direct R&D expenditure (excluding personnel costs) amounted to \$4,295,334 (2009: \$4,483,438). Including personnel costs and other R&D support costs that are recognised through the administrative cost centre, total expenditure in R&D amounted to \$6,151,076 (2009: \$5,953,715).
- Royalty income of \$621,712 (2009: \$721,618).
- Patent costs of \$1,044,370 (2009: \$1,729,030).

DIRECTORS' REPORT

CONTINUED

- The Group retains interests in two listed investments. These are in Antisense Therapeutics Limited and a small investment in Optiscan Imaging Limited. The combined market value of these investments as at 30 June 2010 was \$1,755,612 (2009: \$333,541). During the year the Group disposed of its interest in CancerProbe Pty Ltd, and a net gain on sale of \$13,899 was recognised in profit or loss from this transaction.

Commensurate with the Group's strategy, overhead-related costs, primarily personnel costs, have increased since last year. This increase predominantly reflects the employment of persons directly working on core drug-development activities.

The results also reflect the Group's share (under the equity accounting standards) of the losses recognised by Antisense Therapeutics Limited of \$433,335. Following the sale of 5 million shares in Antisense Therapeutics Limited in March 2010, the Group ceased to have significant influence over Antisense; therefore, it is no longer equity accounted and the remaining holding is reflected in the accounts of the Group as an available-for-sale asset. As a result of this transaction, the Group recognised a gain on cessation of equity accounting in profit or loss of \$2,839,768, which was partially offset by an impairment of \$1,793,554, recognised in profit or loss at year end to recognise the decline in fair value of the Antisense holding.

Review of operations

The Operations Report, which forms part of this Directors' Report, provides information regarding the consolidated entity's key corporate activities and the progress achieved during the 30 June 2010 financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity reduced from \$38,773,219 to \$31,820,094, primarily as a result of ongoing operational expenditure as the Group progressed its research and development program. There have been no other significant changes in the state of affairs of the Group.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Circadian issued 1,155,000 shares to Ludwig Institute of Cancer Research Ltd (LICR) and Licentia Limited (Licentia) on 16 August 2010, to fully complete the acquisition of the remaining 33% of Vegenics as per the agreement on 14 August 2008. The 1,155,000 shares issued represented the final parcel of shares to be issued to LICR and Licentia. Also, as per the agreement, 5,117,430 shares were to be escrowed, 50% for 12 months and 50% for 24 months. The initial 50% of the shares were released from escrow on 14 August 2009. The final portion of tranche 1 shares (2,558,117 shares) were released from escrow on 14 August 2010.

CORPORATE OBJECTIVES AND LIKELY DEVELOPMENTS

The Group's objective is to develop therapeutic products primarily to treat cancer and other serious diseases based on its intellectual property (IP) relating to Vascular Endothelial Growth Factors (VEGF) C, D and R3.

The Group has four drug-development programs underway, including three antibody products, for the treatment of cancer at differing stages of development. One of these candidates, IMC-035, an antibody to VEGFR-3, is being developed and funded by licensee ImClone Systems Inc (recently acquired by Eli Lilly & Co).

The commercialisation objective is to:

- secure development partnerships for one or more of the Group's therapeutic programs;
- retain development of one selected therapeutic to proof of efficacy in humans and partner thereafter; and
- selectively exploit/commercialise other aspects of the portfolio, namely:
 - therapeutics outside the oncology area; and
 - clinical diagnostics and reagents for early revenues.

The IP accumulated by the Group has applications not just in cancer, the primary therapeutic development focus, but also in a number of other areas such as eye disease.

The Group will continue to expand its IP rights and product portfolio around the core area of cancer as well as in other disease areas.

The likely developments in the Group's operations, to the extent that such matters can be commented upon, are covered in the Operations Report.

ENVIRONMENTAL REGULATIONS

The Group is not subject to significant environmental regulations.

INDEMNIFICATION AND INSURANCE

During the financial year ended 30 June 2010, the Company indemnified its directors, the Company Secretary and executive officers in respect of any acts or omissions giving rise to a liability to another person (other than the Company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the Company indemnified the directors, the Company Secretary and executive officers against any liability incurred by them in their capacity as directors, Company Secretary or executive officers in successfully defending civil or criminal proceedings in relation to the Company. No monetary restriction was placed on this indemnity.

The Company has insured its directors, the Company Secretary and executive officers for the financial year ended 30 June 2010. Under the Company's Directors' and Officers' Liabilities Insurance Policy, the Company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

DIRECTORS' MEETINGS

The number of meetings of directors and the number of meetings of committees of the Board held during the year are set out below. Attendance by the directors at these meetings as relevant to each of them is as shown. Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets. It is the Company's practice to invite all directors to committee meetings irrespective of whether they are members.

	Directors' meetings	Meetings of committees		
		Audit	Remuneration ¹	PDRC
Number of meetings held:	7	4	1	1
Number of meetings attended:				
Dominique Fisher	7	4		
Robert Klupacs	7			
Don Clarke	7	4	1	
Tina McMeckan	7	4		
Errol Malta ²	6 [7]		1	1
Carlo Montagner	7		1	1
Jonathan Skipper	6 [7]			

1 All directors in office attended the Remuneration Committee meeting in May 2010.

2 Errol Malta was appointed to the Board on 20 August 2009.

COMMITTEE MEMBERSHIP

During the year, the Company had an Audit Committee, Remuneration Committee and Product Development Review Committee (PDRC) of the Board of Directors. The PDRC comprises members with collectively extensive experience in drug development and in the international pharmaceutical industry.

Members acting on the committees of the Board during the year were:

Audit	Remuneration	PDRC*
T. McMeckan (Chairman)	D. Clarke (Chairman)	E. Malta (Chairman) ^{>}
D. Fisher	C. Montagner	C. Montagner
D. Clarke	E. Malta ^{>}	R. Howard
		G. Morstyn
		R. Smalling
		R. Morgan

[>]Errol Malta was appointed to the Board on 20 August 2009.

* Errol Malta and Carlo Montagner are members of this committee and the other members are independent consultants retained by the Company. Further details of these members are included within the Corporate Governance Statement.

AUDITOR INDEPENDENCE

The directors have obtained a declaration of independence from Ernst & Young, the Group's auditors, which is contained in the Financial Report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services 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 provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax-compliance services	\$15,000
Other tax services	\$13,870

REMUNERATION REPORT (AUDITED)

This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2010.

This report provides a summary of the remuneration policies and practices adopted by Circadian during the 2010 financial year for directors and key management personnel as defined by the *Accounting Standards AASB 124: Related Party Disclosures*. "Key management personnel" includes 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, and includes all the executives in the parent and the Group.

DIRECTORS' REPORT

CONTINUED

Details of key management personnel

The details of key management personnel, including the five highest remunerated executives of the Company and the Group, are provided below:

(i) Directors

Dominique Fisher	Chairman (non-executive)
Robert Klupacs	Managing Director and Chief Executive Officer
Don Clarke	Director (non-executive)
Tina McMeckan	Director (non-executive)
Errol Malta	Director (non-executive) (appointed 20 August 2009)
Carlo Montagner	Director (non-executive)
Jonathan Skipper	Director (non-executive)

(ii) Executives

Natalie Korchev	Chief Financial Officer and Head of Operations, Company Secretary (resigned 14 May 2010)
Alex Szabo	Head of Business Development
Mark Sullivan	Head of Development (appointed 17 August 2009)
Richard Chadwick	Head of Intellectual Property

Except as noted, the above-named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the executive and non-executive directors and other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high-quality Board and executive team.

Remuneration Policy

The remuneration of key management personnel is designed to enable the Group to attract, motivate and retain non-executive officers and executive officers who will create value for shareholders and to fairly and responsibly remunerate them, having regard to their performance, the performance of the Group and the general pay environment.

To this end, the Group has adopted the following principles in its remuneration framework: provide competitive rewards to attract high-calibre executives; link executive rewards to shareholder value; 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 compensation 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, while incurring a cost that is acceptable to shareholders.

Structure and performance

The Company's Constitution and the Australian Securities Exchange (ASX) Listing Rules specify that the aggregate compensation of non-executive directors will be determined from time to time by a general meeting. An amount (not exceeding the amount approved at the general meeting) is determined by the Board and then divided between the non-executive directors as agreed. The latest determination was at the Annual General Meeting on 6 October 2005, when shareholders approved the aggregate maximum sum to be paid or provided as compensation to the non-executive directors as a whole (therefore excluding the Managing Director and any executive director) for their services as \$500,000 per annum. Currently, non-executive directors are compensated to an aggregate of \$312,046 per annum.

The manner in which the aggregate compensation is apportioned amongst non-executive directors is reviewed periodically.

Each director receives a fee for being a director of the Company (currently ranging between \$46,000 and \$75,000 per annum) and an additional annual fee of \$5,000 per committee is also paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees. Jonathan Skipper is an Executive Director with the Ludwig Institute for Cancer Research Ltd (LICR), a not-for-profit organisation. In accordance with LICR policy, he waived his rights to directors' fees for the year ended 30 June 2010. As a gesture of good faith, the Group paid \$46,000 directly to LICR as a charitable donation.

Non-executive directors were not compensated by way of issue of securities in the Company during the year ended 30 June 2010. Despite approval of a Circadian Non-Executive Director Share Plan (NED Share Plan) at the Company's November 2008 Annual General Meeting, the introduction of the share plan did not go ahead due to the operational cost outweighing the benefit of implementation. Therefore, the directors have continued to receive fees in cash. It is at a director's discretion as to whether they will purchase shares in the Company, on market, during the appropriate trading windows available throughout the year. The holdings of the directors are disclosed under the "Directors' Interests" section of the Directors' Report.

The Board is responsible for reviewing its own performance. Board performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). An evaluation was conducted in April 2010 of the Board's performance against specific qualitative performance criteria, some of which are measurable. The next evaluation is planned to be performed before the end of the 2011 financial year. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: Board structure, Board role and responsibilities, strategy and planning, monitoring of Company performance, and Board culture and relationships (amongst each director and with management).

The compensation of non-executive directors for the years ended 30 June 2010 and 30 June 2009 are detailed in Table 1 of this report.

Executive remuneration

Objective

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

- reward executives for company performance;
- link reward with the strategic goals of the Company;
- align the interest of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

Structure and performance

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice and/or may also perform its own market research by accessing relevant remuneration reports prepared by third parties.

Compensation consists of the following key elements, the relative proportions of which are market based (note that short-term incentives were introduced for the first time during the 30 June 2007 financial year):

- fixed remuneration (base salary and superannuation); and
- variable remuneration:
 - short-term incentive (STI); and
 - long-term incentive (LTI).

The non-executive directors are responsible for evaluating the performance of the Managing Director and of the other management. The Managing Director also evaluates the performance of the other management. The performance evaluation of the management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are

being achieved and whether long-term strategic objectives are being achieved. Specific and measurable qualitative and quantitative performance criteria are used. Due to the nature of the Company's activities and the stage that it is at with respect to these activities, profitability is not a performance measure for STIs, although effective management of the Company's resources in achieving value for shareholders is expected. LTIs are linked to share price appreciation and key performance indicators (KPIs) for STIs are linked to activities/milestones that are expected to create value for shareholders.

The performance of the Managing Director and the other management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. The last Remuneration Committee at which a review of remuneration structure for the management took place was held in May 2010.

The KPIs for the financial year ending 30 June 2011 are expected to be approved within the next month.

Table 1 of this report sets out the remuneration of directors and executives of the Company for the years ended 30 June 2010 and 30 June 2009, showing the proportion of fixed remuneration and variable remuneration.

Fixed remuneration

Objective

The level of fixed compensation is set so as to provide a base level of compensation that is both appropriate to the position and is competitive in the market. As noted above, the Remuneration Committee has access to external advice independent of management.

Structure

Executives' fixed compensation comprises salary and superannuation and is reviewed every 12 months by the Remuneration Committee.

Variable remuneration – short-term incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the 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.

Structure

Actual STI payments in the form of cash bonuses to each senior executive depend on the extent to which specific targets set at the beginning of the financial year (or shortly thereafter) are met. The targets consist of a number of KPIs covering corporate objectives and individual measures of performance. Individual KPIs are linked to the Company's strategy and drug-development annual business plan.

DIRECTORS' REPORT

CONTINUED

On an annual basis, after consideration of performance against KPIs, the Remuneration Committee, in line with its responsibilities, determines the amount, if any, of the STI to be paid to each senior executive. This process occurs within two months after the relevant financial year end.

The maximum annual STI cash bonus available for each senior executive is subject to the approval of the Remuneration Committee. Payments of the STI bonus are made in the following reporting period.

The maximum annual STI cash bonus available for each other member of management is determined by the Managing Director.

STI bonus for the 2010 financial year

The Remuneration Committee considered the STI payment for the 2010 financial year within the first two months after the end of that year. The STI cash bonus that is to be paid for the 2010 financial year for key management personnel is \$178,744 plus relevant on-costs. This has been determined on the basis of KPIs achieved by management.

There have been no alterations to the STI bonus plan since its inception.

Variable remuneration – long-term incentive (LTI)

Objective

The objective of the LTI plan is to reward key management personnel in a manner that aligns this element of compensation with the creation of shareholder wealth.

As such, LTI grants are made to key management personnel who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long-term performance hurdle.

Structure

LTI grants to key management personnel are delivered in the form of options.

Share options are granted to key management personnel and certain employees.

In valuing transactions settled by way of issue of options, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Circadian. All options issued have market performance conditions so as to align shareholder return and reward for the Company's key management personnel.

Options issued in financial years 2007 to 2009

In January 2007, a Circadian Senior Management Option Plan (Option Plan) was implemented to offer options that are subject to performance hurdles. The options issued to employees (including senior executives) in 2007, 2008 and 2009 pursuant to this Option Plan were divided equally into three tranches.

The number of options in each tranche will vest on the satisfaction of the following performance conditions during the relevant option period (2007 options within five years of the grant date; 2008 and 2009 options within approximately four years of grant date) (Performance Hurdles). The 2007 options issued have an exercise price of \$1.50; the 2008 options issued have an exercise price of \$1.30 and the 2009 options issued have an exercise price of \$1.00 (Exercise Price).

- **Tranche 1** – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price;
- **Tranche 2** – the Share Price achieves not less than 150% of the Exercise Price; and
- **Tranche 3** – the Share Price achieves not less than 175% of the Exercise Price.

The Share Price is to be calculated as the volume weighted average share price of Circadian shares traded on the ASX over a consecutive 15-day trading period.

The options issued in the 2008 financial year were to Robert Klupacs, pursuant to an Executive Contract dated 20 December 2007.

Vested options may only be exercised at any time in the last 12 months of the relevant option period.

The Exercise Price is subject to any adjustment that is required under the ASX Listing Rules as a consequence of a capital reorganisation or a pro-rata rights issue of shares that occurs after the grant of the options but prior to the exercise of the options.

The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Performance Hurdles) and exercise of options in the event of a takeover or merger or any other circumstance in accordance with the terms of the Option Plan.

Options in relation to which performance conditions have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in circumstances as described below.

Options that have not vested will lapse where an option holder ceases employment with Circadian other than on retirement, redundancy, death or total and permanent disablement, or unless as otherwise determined by the Board in its absolute discretion.

Where an option holder has ceased employment with Circadian as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period but not before the first anniversary of grant date, options (whether vested or not) may be retained by the option holder on a pro-rata basis (the pro-rata being calculated over the period from grant date).

Shareholder returns/value

The following is a summary of shareholder returns/value for the current year and in the previous four financial years:

	2010 \$	2009 \$	2008 \$	2007 \$	2006 \$
Basic (loss)/earnings per share	(0.15)	(0.22)	(0.03)	0.28	(0.16)
Capital return per share	-	-	-	-	-
Dividends per share	-	-	-	-	-
NTA backing per share @ 30 June	0.77	0.86	1.28	1.52	1.41
Circadian share price @ 30 June	0.52	0.73	0.88	1.28	1.05

Due to the nature of the Group's activities (being in the biotechnology industry) as described under "Principal Activities", results year to year do fluctuate. The share price has decreased since last year end, as it has for many companies in the biotechnology sector. The factors contributing to this year's and last year's financial results are described under "Operating and Financial Review" of this report.

Employment contracts

Mr Robert Klupacs, who was appointed Managing Director effective 1 March 2008, is employed under a rolling contract. The current employment contract commenced on 1 December 2007. Under the terms of the present contract (including any subsequent Board approvals relating to fixed remuneration):

- Mr Klupacs receives fixed remuneration of \$371,175 per annum; and
- Mr Klupacs may resign from his position and thus terminate this contract by giving 3 months' notice.
On resignation, any unvested LTI options will be forfeited.
- The Company may terminate this employment agreement by providing:
 - 6 months' notice; or
 - payment in lieu of the notice period (as detailed above) based on the fixed component of Mr Klupacs' remuneration and a pro-rata of that part of the annual STI (if any) that is payable in cash at the time of termination. As stated earlier in this report, STIs are payable on the achievement of KPIs.

On termination notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Klupacs is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.
On termination with cause, any unvested options will immediately be forfeited.

Mr Klupacs was also granted 500,000 options under the terms of the contract. Refer to "Options issued in financial years 2007 to 2009" for terms and conditions of the options granted.

DIRECTORS' REPORT

CONTINUED

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2010 (Consolidated)

		Short-term		Post employment	Long-term	Termination benefits	Share-based payment	Total	Total performance-related
		Salary & fees \$	Cash bonus \$	Super-annuation \$	Long-service leave \$	Termination pay \$	Options/ rights*	\$	%
Non-executive directors:									
D. Fisher	2010	80,004	-	7,200	-	-	-	87,204	-
	2009	80,004	-	7,200	-	-	-	87,204	-
D. Clarke	2010	56,004	-	5,040	-	-	-	61,044	-
	2009	56,004	-	5,040	-	-	-	61,044	-
T. McMeckan	2010	51,000	-	4,590	-	-	-	55,590	-
	2009	51,000	-	4,590	-	-	-	55,590	-
E. Malta ¹	2010	69,034	-	6,213	-	-	-	75,247	-
	2009	-	-	-	-	-	-	-	-
C. Montagner	2010	56,004	-	5,040	-	-	-	61,044	-
	2009	55,170	-	4,965	-	-	-	60,135	-
J. Skipper ²	2010	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-
Sub-total non-executive directors									
	2010	312,046	-	28,083	-	-	-	340,129	-
	2009	242,178	-	21,795	-	-	-	263,973	-
Executive directors:									
R. Klupacs	2010	371,172	102,073	42,592	-	-	128,974	644,811	35.83
	2009	367,500	80,648	40,334	-	-	128,974	617,456	33.95
Other key management personnel:									
N. Korchev ³	2010	262,636	37,172	26,983	45,751	-	36,053	408,595	17.92
	2009	263,748	44,000	27,697	7,104	-	37,451	380,000	21.43
A. Szabo	2010	235,752	26,522	23,605	-	-	23,939	309,818	16.29
	2009	230,888	27,500	23,255	-	-	18,954	300,597	15.45
M. Sullivan ⁴	2010	193,800	-	-	-	-	-	193,800	-
	2009	-	-	-	-	-	-	-	-
R. Chadwick	2010	171,020	12,977	16,560	-	-	15,321	215,878	13.11
	2009	168,804	13,860	16,440	-	-	12,131	211,235	12.30
Sub-total executive KMP									
	2010	1,234,380	178,744	109,740	45,751	-	204,287	1,772,902	
	2009	1,030,940	166,008	107,726	7,104	-	197,510	1,509,288	
TOTALS									
	2010	1,546,426	178,744	137,823	45,751	-	204,287	2,113,031	
	2009	1,273,118	166,008	129,521	7,104	-	197,510	1,773,261	

1 Dr E. Malta was appointed to the Board on 20 August 2009 and remains Chairman of the PDRC.

2 Dr J. Skipper is an Executive Director of the Ludwig Institute of Cancer Research Ltd (LICR) and, in accordance with LICR policy, he waived his rights to a director's fee. As a gesture of good faith, the Group paid \$46,000 directly to LICR as a charitable donation.

3 N. Korchev resigned on 14 May 2010.

4 M. Sullivan was appointed on 17 August 2009.

*No options have been exercised by the executive directors and other executives in the last seven years.

As at 30 June 2010, no options had vested and all options were "out-of-the-money" (exercise prices range between \$1.00 and \$1.50 whereas the Company's share price at 30 June 2010 was 52 cents).

The value of the options attributed to compensation of certain key management personnel for the current financial year represents the expensing of options that were granted in the 2007, 2008 and 2009 financial years, and has been determined by allocating the fair value of the options equally over their respective vesting periods.

Refer to note 26 of the Financial Report for details on the valuation of options.

Table 2: Compensation options: granted and vested during the year (Consolidated)

		Granted during year		Terms and conditions for each grant					Vested during year
		No.	Grant date	Fair value per option at grant date (note 26)	Exercise price per option (note 26)	Expiry date	First exercise date	Last exercise date	No.
Directors									
R. Klupacs	2010	-							-
	2009	-							-
Executives									
N. Korchev	2010	-							-
	2009	200,000	15/9/08	\$0.280-\$0.291	\$1.00	15/9/12	15/9/11	15/9/12	-
A. Szabo	2010	-							-
	2009	250,000	15/9/08	\$0.280-\$0.291	\$1.00	15/9/12	15/9/11	15/9/12	-
M. Sullivan	2010	-							-
	2009	-							-
R. Chadwick	2010	-							-
	2009	160,000	15/9/08	\$0.280-\$0.291	\$1.00	15/9/12	15/9/11	15/9/12	-
TOTAL OPTIONS	2010	-							-
	2009	610,000							-

There were no options granted or shares issued to key management personnel since the end of the financial year.

Table 3: Options granted as part of remuneration (Consolidated)¹

	Total value of options granted during the year \$	Value of options expensed during the year ² \$	Value of options exercised during the year \$	Value of options lapsed/forfeited during the year \$	Remuneration consisting of options for the year ³ %
N. Korchev ⁴	-	-	-	42,498	8.82
A. Szabo	-	-	-	-	7.73
M. Sullivan	-	-	-	-	-
R. Chadwick	-	-	-	-	7.06

1 For details on the valuations of the options, including models and assumptions used, refer to note 26 of the financial statements.

2 The values in this column reflect the amount recognised as an expense during the year only on the options granted during the year.

3 This column reflects the percentage of remuneration consisting of options expensed during the year relating to current-year and prior-year grants.

4 N. Korchev resigned on 14 May 2010; therefore, the value of forfeited options has been reflected.

DIRECTORS' REPORT CONTINUED

No options were exercised during the current year nor did any options lapse during the year.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Shares issued on exercise of compensation options (Consolidated)

There were no options exercised by key management personnel during the 2010 and 2009 financial years.

This report has been signed in accordance with a Resolution of the Directors made on 19 August 2010.

For and on behalf of the Board:



Robert Klupacs
Director



Dominique Fisher
Director

Melbourne
19 August 2010

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Corporate Governance framework for Circadian Technologies Limited (Circadian) and its subsidiaries (the Group) is set by the Circadian Board, having regard to compliance with legal requirements, the particular circumstances of the Group and the best interests of the shareholders.

On 2 August 2007, the Australian Securities Exchange (ASX) Corporate Governance Council released the *Corporate Governance Principles and Recommendations* (2nd edition) with the change in the reporting requirements applying to the Group's first financial year commencing on or after 1 July 2008. The Corporate Governance Statement details Circadian's corporate governance practices, including their compliance with the aforementioned requirements. This statement is current as at 11 August 2010 and should be read in conjunction with the Directors' Report within this annual report.

Circadian's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1 Lay solid foundations for management and oversight
- Principle 2 Structure the Board to add value
- Principle 3 Promote ethical and responsible decision-making
- Principle 4 Safeguard integrity in financial reporting
- Principle 5 Make timely and balanced disclosure
- Principle 6 Respect the rights of shareholders
- Principle 7 Recognise and manage risk
- Principle 8 Remunerate fairly and responsibly

Circadian's corporate governance practices were in place throughout the year ended 30 June 2010 and were fully compliant with the Council's best practice recommendations, except for the recommendation regarding the establishment of a Nomination Committee. The reason for not establishing this committee is explained in the section of this report headed "Structure of the Board".

For further information on corporate governance policies adopted by Circadian, refer to its website: www.circadian.com.au.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board of Directors is in place to represent and protect the interests of the Company's shareholders. They are responsible for the corporate governance of the Group and guide and monitor the business and affairs of Circadian on behalf of its shareholders.

Board functions and charter

The Board Charter sets out the function and responsibilities of the Board in order to facilitate Board and management accountability for Circadian's performance and strategic direction. The matters reserved for the Board and what has been delegated to senior executives is described in the Board Charter, which is available on Circadian's website: www.circadian.com.au.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board. Upon appointment of a new director, a formal letter of appointment is provided, as well as an induction pack, which includes details pertaining to the Company and the obligations of the individual acting in their capacity as a director.

The responsibility for the operation and administration of the Company is delegated by the Board to the CEO, who in turn may further delegate to senior executive management. The Board ensures that the Senior Executive Management Team (which includes the CEO) is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the senior executive management.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end, the Board has established the following committees:

- Audit (see Principle 4);
- Remuneration (see Principle 8); and
- Product Development Review (see Other Committees).

CORPORATE GOVERNANCE STATEMENT

CONTINUED

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved, including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

The separation of responsibilities between the Board and management is clearly understood and respected.

Executive performance evaluation

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the executive and non-executive directors and other senior executive personnel. The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of a high-quality Board and executive team.

The non-executive directors are responsible for evaluating the performance of the Managing Director and of the other senior executives. The Managing Director also evaluates the performance of the other senior executives and other management (management). The performance evaluation of management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved. Specific and measurable qualitative and quantitative performance criteria are used.

Due to the nature of the Company's activities and the stage that it is at with respect to these activities, profitability is not a performance measure for short-term incentives (STIs), although effective management of the Company's resources in achieving value for shareholders is expected. Long-term incentives (LTIs) are linked to share price appreciation and key performance indicators (KPIs) for STIs are linked to activities/milestones that are expected to create value for shareholders.

The performance of the Managing Director and management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. A review of the remuneration structure for management was performed in May 2010 by the Remuneration Committee. This review was in accordance with the aforementioned process. A review of performance against KPIs occurred in July 2010 in accordance with the described policy. Further information on the Remuneration Committee can be found in the "Remuneration Report" section of the Directors' Report.

The Board Charter and the Performance Evaluation Process Policy are available from Circadian's website: www.circadian.com.au.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Structure of the Board

The Board as of 11 August 2010 consists of seven directors, one of whom is an executive (Robert Klupacs, CEO) and six of whom are non-executives. The skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are included in the Directors' Report under the section headed "Directors". Directors of Circadian are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

In the context of director independence, to be considered independent, a non-executive director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one that impairs or inhibits, or has the potential to impair or inhibit, a director's exercise of judgement on behalf of the Company and its shareholders.

From a quantitative perspective, an item is considered to be quantitatively immaterial if it is equal to or less than 5% of the relevant base amount. It is considered to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the relevant base amount.

In accordance with the definition of independence above, and the materiality thresholds described, the following directors of Circadian are considered to be independent (being the majority of the directors) at the date of this report:

Name	Position
D. Fisher	Chairman, non-executive director
D. Clarke	Non-executive director
T. McMeckan	Non-executive director

E. Malta Non-executive director
C. Montagner Non-executive director
J. Skipper Non-executive director

It should be noted that Errol Malta was appointed at the conclusion of the Company's 20 August 2009 Board meeting.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
D. Fisher	5 years
R. Klupacs	2 years 6 months
D. Clarke	5 years
T. McMeckan	2 years 7 months
E. Malta	1 year
C. Montagner	2 years 2 months
J. Skipper	2 years

To ensure the Board is well equipped to discharge its responsibilities, it has guidelines for the nomination and selection of directors and for the operation of the Board. The existing size of the Board and the frequency of Board meetings are such that the Board's role in assisting in the appointment process can be undertaken in an efficient manner by the Board itself, without the need for a separate Nomination Committee. The Charter of the Nomination Committee has been incorporated into the Board Charter and, as such, the Board of Directors considers all matters that would be relevant for a Nomination Committee. For additional details, please refer to the Company's Board Charter on its website.

Directors' Access to independent professional advice

The Board has procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Board and committee performance

Board and committee performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). Directors participated in an evaluation that was conducted in April 2010 of the Board's and committees' performance against specific qualitative performance criteria, some of which are measurable. The evaluation was performed with the use of questionnaires, self-evaluations and one-on-one interviews with directors and was designed to cover both the Board and also its committees. This was performed in accordance with the Company's Performance Evaluation Process Policy (as contained on the Company's website). The next evaluation is planned to be performed before the end of the 2011 financial year. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: Board structure, Board role and responsibilities, strategy and planning, monitoring of Company performance, and Board culture and relationships (amongst each director and with management).

Appointment of directors

To be considered for membership on the Board, a candidate should meet the following criteria:

- be of proven integrity with a history of relevant achievements that reflect high standards;
- demonstrate intelligence, wisdom and thoughtfulness in decision-making that usually will be based on broad experience;
- be able and willing to commit the time and energy necessary to attend to the Company's affairs, including attending Board and Board committee meetings;
- be committed to building sound, long-term growth in the value of the Company; and
- be able to objectively review and evaluate management's performance and implementation of strategy.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with requirements of the ASX Listing Rules and the *Corporations Act 2001*. As Circadian is not a large company, a separate Nomination Committee has not been created. Appointment and retirement of directors will be in accordance with the following:

- The Board will consider from time to time changes that the Board believes to be desirable to the size of the Board or any committee thereof;
- Where a Board vacancy exists (including a vacancy created by an increase in size of the Board), the Board will identify individuals believed to be qualified to become Board members to stand for election as directors at the Annual General Meeting of shareholders. In nominating candidates, the Board shall take into consideration the qualifications of the candidate and the characteristics of the candidate to ensure that directors are of the highest standard. These factors may include judgement, skill, diversity, experience with businesses and other organisations of comparable size, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The Board may consider candidates proposed by management, but is not required to do so; and
- Where a vacancy exists on any Board committee, the Board will appoint a director to that committee, taking into consideration the factors set forth in the charter of the committee, if any, as well as any other factors it deems appropriate, including, without limitation, applicable legislative requirements, the consistency of the candidate's experience with the goals of the committee and the interplay of the candidate's experience with the experience of other committee members.

The Board is responsible for ensuring that an effective induction process is in place for new directors appointed to the Board as discussed above.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

The Board Charter was reviewed and updated with minor modifications in September 2009 and can be found on Circadian's website: www.circadian.com.au.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Circadian Code of Conduct as approved by the Board sets out Circadian's commitment and practices to successfully conduct our business in accordance with all applicable laws while demonstrating and promoting the highest ethical standards. It sets out the standards of conduct in employees' and directors' relationships with each other, with the employer and with all those with whom the directors and employees deal in their work. The Code provides a framework for decision-making and business behaviour that builds and maintains Circadian's corporate integrity and reputation, and identifies responsibilities for reporting and investigating breaches. The Code applies to all employees and directors. The Code of Conduct was reviewed and updated in September 2009 and can be found on Circadian's website: www.circadian.com.au.

Securities Trading Policy

The Company has in place a Securities Trading Policy that details the trading policy with respect to the buying and selling of shares by directors and relevant employees.

Under the Company's Securities Trading Policy for the buying and selling of Company securities, an executive, director or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

A Designated Officer should not deal in securities of Circadian without receiving clearance from an Approving Officer(s) who has ensured that there is no unpublished price sensitive information.

A Designated Officer means a director or person engaged in the management of the Group, whether as an employee or consultant.

An Approving Officer means:

- (a) for a Designated Officer who is not a director, the Chief Executive Officer (CEO);
- (b) for a director (except the Chairperson of the Board), the Chairperson of the Board and the CEO; and
- (c) for the Chairperson of the Board, the Chairperson of the Audit Committee and the CEO.

Generally, a Designated Officer must not be given clearance to deal in any securities of Circadian during:

- (a) any close period (that is for the period of one month before the publication of annual and half-yearly financial results);

- (b) any period when there exists any matter that constitutes unpublished price sensitive information in relation to Circadian's securities; or

- (c) any period when the person responsible for the clearance otherwise has reason to believe that the proposed dealing is in breach of this policy.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. The Securities Trading Policy was amended in September 2009, a copy of which is available on Circadian's website: www.circadian.com.au.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Audit Committee operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective control framework exists within the entity. This includes ensuring that there are internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements. All members of the Audit Committee are independent non-executive directors. The members who served on the Audit Committee during the 2010 financial year were Ms Tina McMeckan, Ms Dominique Fisher and Mr Don Clarke.

The Audit Committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half-year statutory review. The Audit Committee Charter can be found on the Company's website (www.circadian.com.au) and contains the procedures for the selection, appointment and rotation of external audit engagement partners.

Qualifications of Audit Committee members

Ms Tina McMeckan has chaired the Audit Committee since 21 August 2008. Her specific skills are in the commercialisation of science and technology and the energy sector. Ms McMeckan, who has an MBA, is presently chairman of the Centre for Eye Research Australia and NanoVentures Australia Ltd, a director of the Vision Cooperative Research Centre, Spatial Information Systems Ltd and the Global Carbon Capture and Storage Institute, and is also a member of the National Board of Norton Rose (formerly Deacons) law firm. She has been/is a member of audit/finance committees for MediHerb Holdings Limited,

Nanotechnology Victoria Limited (Chair), Vision Cooperative Research Centre and the Centre for Eye Research Australia Limited (Chair). Ms McMeckan is a past member of the Funds Management Committee of the AusIndustry Research and Development Board and has held senior investment management positions with the Australian Industry Development Corporation and Amrad Corporation Ltd (acquired by CSL Limited), focusing on capital raisings for innovation-based ventures.

Ms Dominique Fisher has extensive business experience in the corporate area, including the commercialisation of new technologies. She is principal and executive director of EC Strategies Pty Ltd, which advises local and overseas companies on technology strategies and major commercial transactions, and in March 2007 was appointed non-executive director of Pacific Brands Limited and is a member of its Audit and Risk Committee. She is a former director of Insurance Australia Group (IAG) and was a member of its Risk Management and Compliance Committee from 2000 to 2004.

Mr Don Clarke has been a partner with the law firm Minter Ellison since 1988, having joined that firm in 1980. He has broad commercial practice (involving predominantly ASX listed companies in the SME sector and larger private companies) and experience across a broad sector of industries. He is also a non-executive director of Webjet Limited (appointed January 2008) and a former director of Calzada Limited (formerly Metabolic Pharmaceuticals Limited).

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report under the section headed "Directors' Meetings".

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Circadian Continuous Disclosure Policy as approved by the Board sets out the key obligations of the Board and management to ensure compliance under the disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*, and ensures that the obligation of employees and directors with respect to the Continuous Disclosure Policy are clear.

The Board has overall responsibility for supervision of the Company and must ensure that the Company meets its disclosure obligations. The Board has appointed the Company Secretary as Disclosure Officer to ensure that continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001* are adhered to.

The general rule, contained in the Listing Rules, requires the Company to immediately notify the ASX of any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of securities of the Company. In certain circumstances, however, the applicable Listing Rules permit the Company not to disclose material information.

The Continuous Disclosure Policy is available on Circadian's website: www.circadian.com.au.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Circadian Communications Policy as approved by the Board is designed to describe the processes Circadian has in place to promote communication with its investors and encourage shareholder participation at AGMs. The policy advocates communication with shareholders and other stakeholders in an open, regular and timely manner to ensure that all stakeholders have sufficient information to make informed decisions on the operations and results of the Company. The policy provides for the use of systems involving technologies that ensure a regular and timely release of information about the Company. Mechanisms employed include:

- all information released to the ASX (including annual reports, half-yearly reports, and notices of general meetings and their associated explanatory material) is posted on Circadian's website as soon as practicable following confirmation of receipt by the ASX;
- annual reports (if requested) and notices of general meetings with explanatory material are mailed to investors; and
- briefings provided to investors and analysts, with whom Circadian acknowledges the importance of its relationship. A copy of any presentation material provided at briefings will be posted on Circadian's website.

The Communications Policy is available on Circadian's website: www.circadian.com.au.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is designed to manage the Company's material business risks and report on whether those risks are being managed effectively.

Material business risks are those risks that are the most significant areas of uncertainty or exposure that could adversely impact on the achievement of company objectives.

Management, as part of their responsibility for the operations of the Company, are also responsible for ensuring that risks are identified in a prospective manner, controls implemented to mitigate those risks and appropriate review procedures established to ensure that the controls in place are operating effectively. If new material risks are identified or if controls over existing risks are not operating effectively, these should be reported to the Board for consideration along with recommendations by management, covering new or existing controls and review processes that would mitigate the risks.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. At the Company's strategy meeting held in April 2010, the Board

CORPORATE GOVERNANCE STATEMENT

CONTINUED

and management addressed and discussed key material business risks, the mitigation or management of those risks and their related effectiveness. Further, on a more detailed level, management is required by the Board to assess risk management and associated internal compliance and control procedures, and report back on the efficiency and effectiveness of risk management. Management, with the assistance of its insurance broker, undertook a significant review of the Company's insurance requirements to ensure appropriate coverage. Management has also performed its annual assessment of the efficiency and effectiveness of risk management, including associated internal compliance and control procedures. This is to be presented to the Board at its October 2010 Board meeting.

The Board and senior management continue to identify the general areas of risk, including:

- economic outlook and share market activity;
- changing government policy (Australian and overseas);
- competitors' products/research and development programs;
- market demand and market prices for therapeutics/diagnostics;
- legal proceedings commenced against the Company (if any);
- environmental regulations;
- ethical issues relating to pharmaceutical research and development;
- other government regulations, including those specifically relating to the biotechnology and health industries; and
- occupational health and safety and equal opportunity law.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

CEO and CFO certification

In accordance with section 295A of the *Corporations Act 2001*, the CEO and Chief Financial Officer have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control that, in all material respects, implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control systems are operating effectively in all material respects.

The Risk Management Policy is available on Circadian's website: www.circadian.com.au.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Performance

Policies and procedures in place with respect to monitoring the performance of the Board are set out in the Directors' Report under the section headed "Remuneration Report" as well as under "Principle 2 – Structure the Board to add value" in this report. Also see details under "Remuneration Committee" below.

Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Remuneration Committee remunerates directors and executives having regard to their performance and the performance of the Company. The expected outcomes of the remuneration policies and practices are to enable the Company to motivate, retain and attract directors and executives who will create value for shareholders.

Details relating to policy for performance evaluation, policy for remuneration and the amount of remuneration (monetary and non-monetary) paid to each director and to the non-director executives are set out in the Directors' Report under the section headed "Remuneration Report".

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

At no time have any directors or management of the Company limited the risk of participating in unvested entitlements under an equity-based remuneration scheme. No written policy relating thereto was formally in place during the year; however, a policy to this effect was incorporated into the Securities Trading Policy and adopted by the Board on 14 September 2009. This policy can be found on the Company's website.

The members of the Remuneration Committee during the year were Mr Don Clarke (Chairman) and Mr Carlo Montagner. Dr Errol Malta was appointed by the Board on 20 August 2009 to the Remuneration Committee.

Details relating to performance evaluation are set out in the section of the Directors' Report headed "Remuneration Report". For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report under the section headed "Directors' Meetings".

The Remuneration Committee Charter can be found on Circadian's website: www.circadian.com.au.

OTHER COMMITTEES

Product Development Review Committee

The Product Development Review Committee's role is to provide advice on and scrutinise the Company's research, drug-development and commercialisation strategies.

The members of this committee hold or held senior positions with large pharmaceutical or biotechnology companies and they bring to the Company extensive experience in international drug development, toxicology, clinical development, oncology, therapeutic antibodies and commercialisation of products.

The members of the committee and their relevant experience are as follows:

Dr Errol Malta, whose credentials include working with the largest biotech company in the US, Amgen Inc, for more than 10 years, is Chairman of the committee. He served as Product Development Team Leader for eight of those years, and was responsible for global drug development and commercialisation in the US, EU and Japan. Errol was appointed on 20 August 2009 as a non-executive director of Circadian.

Dr George Morstyn, former Senior Vice-President and Head of Development at Amgen Inc, was a member of the Executive Committee and responsible for global pre-clinical and clinical development as well as regulatory affairs. Dr Morstyn trained in medical oncology at the National Cancer Institute in the US.

Dr Russell Howard is CEO of US Nasdaq listed Maxygen Inc, a company focused on human therapeutics with several programs in protein pharmaceuticals. Dr Howard also served as the President and Scientific Director of Affymax Research Institute, an institute employing combinatorial chemistry and high throughput target screening to discover drug leads.

Mr Carlo Montagner, a non-executive director of Circadian, is President Oncology Pan Asia for Nasdaq listed Abraxis Bioscience Inc. Carlo has a wealth of experience in heading global oncology businesses for blockbuster chemotherapeutic products. He is former Executive Vice President & Global Head of Schering AG/Berlex Labs USA Oncology Business Unit.

Mr Ralph Smalling has held senior positions with Amgen Inc for over 23 years, including Head of Regulatory Affairs. He has overseen the development of more than 40 antibody and recombinant protein therapies projects through various stages (pre-clinical to marketing).

Dr Richard Morgan has more than 25 years' experience in pharmaceutical research and development, including Head of Toxicology at GlaxoWellcome (now GlaxoSmithKline).

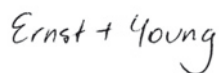
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Financial Report

Auditor's Independence Declaration to the Directors of Circadian Technologies Limited

In relation to our audit of the financial report of Circadian Technologies Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Joanne Lonergan".

Joanne Lonergan
Partner
19 August 2010

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

		Consolidated		Parent	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
ASSETS					
Current Assets					
Cash and cash equivalents	11	31,855,169	38,836,560	27,900,773	31,767,522
Receivables	12	357,907	474,387	794,482	695,125
Prepayments		71,615	113,016	71,615	73,978
Total Current Assets		32,284,691	39,423,963	28,766,870	32,536,625
Non-Current Assets					
Financial investments and subsidiaries	13	1,755,612	333,541	31,988,665	32,145,141
Investments in associates	14	528,728	1,301,784	-	-
Intercompany receivables	24	-	-	3,998,747	-
Deferred tax assets	9	45,536	153,281	29,768	20,629
Plant and equipment	15	53,851	66,592	50,994	60,457
Total Non-Current Assets		2,383,727	1,855,198	36,068,174	32,226,227
TOTAL ASSETS		34,668,418	41,279,161	64,835,044	64,762,852
LIABILITIES					
Current Liabilities					
Payables	16	2,485,616	2,144,039	678,355	520,208
Provisions	17	173,020	187,296	173,020	187,296
Total Current Liabilities		2,658,636	2,331,335	851,375	707,504
Non-Current Liabilities					
Intercompany payables	24	-	-	3,418,999	3,284,979
Deferred tax liability	9	155,136	153,379	41,618	38,486
Provisions	18	34,552	21,228	34,552	21,228
Total Non-Current Liabilities		189,688	174,607	3,495,169	3,344,693
TOTAL LIABILITIES		2,848,324	2,505,942	4,346,544	4,052,197
NET ASSETS		31,820,094	38,773,219	60,488,500	60,710,655
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	19	38,374,094	38,374,094	38,374,094	38,374,094
Retained earnings	20	(2,981,272)	3,967,224	19,855,530	20,337,565
Reserves	20	(3,572,728)	(3,592,321)	2,258,876	1,998,996
Parent interests		31,820,094	38,748,997	60,488,500	60,710,655
Non-controlling interests	21	-	24,222	-	-
TOTAL EQUITY		31,820,094	38,773,219	60,488,500	60,710,655

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
Finance revenue		1,629,750	2,308,717	1,858,440	2,076,628
Investment income		13,899	61,108	-	-
Other revenue		621,712	721,618	2,520,000	2,025,600
Revenue	6	2,265,361	3,091,443	4,378,440	4,102,228
Other income	7(a)	71,348	-	2,500	-
Gain on cessation of equity accounting	7(b)	2,839,768	-	-	-
Research and development expenses	23	(4,295,334)	(4,483,438)	-	-
Patent expenses		(1,044,370)	(1,729,030)	-	-
Intellectual property costs		(116,727)	(304,275)	-	-
Administrative expenses	8(d)	(5,232,311)	(4,530,052)	(4,774,435)	(4,212,890)
Occupancy expenses		(142,465)	(137,527)	(142,465)	(137,527)
Finance costs		-	-	(184,593)	(170,267)
Impairment losses	8(a)	(1,163,567)	(482,590)	607,036	(1,045,049)
Impairment of investments in subsidiaries	8(c)	-	-	(374,101)	(3,433,368)
Share of net loss of associates	14(f)	(20,441)	(604,399)	-	-
Realised investment losses	8(b)	-	(408,501)	-	-
Net foreign exchange losses		-	(267,434)	(424)	(1,601)
Other expenses		-	(20,000)	-	(289,115)
Loss before income tax		(6,838,738)	(9,875,803)	(488,042)	(5,187,589)
Income tax (expense)/benefit	9	(109,502)	(45,867)	6,007	(21,947)
Loss for period		(6,948,240)	(9,921,670)	(482,035)	(5,209,536)
Other comprehensive income					
Net unrealised losses on non-current listed investments for the period	20	(368,040)	(3,459,345)	-	-
Unrealised impairment losses recognised in loss for the period	20	-	437,590	-	-
Realised losses on non-current listed investments for the period	20	-	404,114	-	-
Share in associate's movement in equity reserve	20	12,778	45,436	-	-
Gain on new share issue by associate	20	114,975	-	-	-
Income tax on items of other comprehensive income	20	-	295,922	-	-
Other comprehensive income for the period, net of tax		(240,287)	(2,276,283)	-	-
Total comprehensive loss for the period		(7,188,527)	(12,197,953)	(482,035)	(5,209,536)
Loss for the period is attributable to:					
Non-controlling interest		256	(5,022)	-	-
Owners of the parent	20	(6,948,496)	(9,916,648)	(482,035)	(5,209,536)
		(6,948,240)	(9,921,670)	(482,035)	(5,209,536)
Total comprehensive loss for the period is attributable to:					
Non-controlling interest		256	(5,022)	-	-
Owners of the parent		(7,188,783)	(12,192,931)	(482,035)	(5,209,536)
		(7,188,527)	(12,197,953)	(482,035)	(5,209,536)
Earnings per share for loss attributable to the ordinary equity holders of the parent:					
- Basic and diluted loss per share (cents)	10	(15.36)	(22.22)		

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Contributed equity \$	Asset revaluation reserve \$	Option reserve \$
CONSOLIDATED				
As at 1 July 2008		33,167,977	734,407	19
Net unrealised losses on non-current listed investments for the period*	20(b)	-	-	-
Realised gain on non-current listed investment transferred to the statement of comprehensive income*	20(b)	-	-	-
Unrealised impairment losses recognised in the statement of comprehensive income*	20(b)	-	-	-
Share of associates' movement in equity reserve*	14(c)	-	-	-
Gain on new share issue by associate		-	-	-
Loss for the year*		-	-	-
Total comprehensive income and expense for the year		-	-	-
Cost of share-based payment	20(b)	-	-	-
Acquisition of non-controlling interests	20(b)	5,206,117	-	-
Balance at 30 June 2009		38,374,094	734,407	19
As at 1 July 2009		38,374,094	734,407	19
Net unrealised losses on non-current listed investments for the period	20(b)	-	-	-
Realised gain on non-current listed investment transferred to the statement of comprehensive income*	20(b)	-	-	-
Unrealised impairment losses recognised in the statement of comprehensive income*	20(b)	-	-	-
Share of associates' movement in equity reserve*	14(c)	-	-	-
Gain on new share issue by associate		-	-	-
Loss for the year*		-	-	-
Total comprehensive income and expense for the period		-	-	-
Cost of share-based payment	20(b)	-	-	-
Disposal of subsidiary with non-controlling interests	20(b)	-	-	-
Balance at 30 June 2010		38,374,094	734,407	19
PARENT				
As at 1 July 2008		33,167,977	734,407	19
Loss for the year*		-	-	-
Total comprehensive income and expense for the period		-	-	-
Cost of share-based payment	20(b)	-	-	-
Issue of shares for acquisition of minority interests	19(a)	5,206,117	-	-
Balance at 30 June 2009		38,374,094	734,407	19
As at 1 July 2009		38,374,094	734,407	19
Loss for the year*		-	-	-
Total comprehensive income and expense for the period		-	-	-
Cost of share-based payment		-	-	-
Balance at 30 June 2010		38,374,094	734,407	19

*Amounts are after tax.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Contributed capital of associate reserve \$	Employee equity benefits reserve \$	Equity reserve- parent \$	Net unrealised gains reserve \$	Retained earnings \$	Total \$	Non- controlling interests \$	Total equity \$
1,007,683	1,020,539	(5,238,453)	2,849,426	13,883,872	47,425,470	3,981,943	51,407,413
-	-	-	(2,900,091)	-	(2,900,091)	-	(2,900,091)
-	-	-	281,718	-	281,718	-	281,718
-	-	-	296,654	-	296,654	-	296,654
45,436	-	-	-	-	45,436	-	45,436
-	-	-	-	-	-	-	-
-	-	-	-	(9,916,648)	(9,916,648)	(5,022)	(9,921,670)
45,436	-	-	(2,321,719)	(9,916,648)	(12,192,931)	(5,022)	(12,197,953)
-	244,031	-	-	-	244,031	-	244,031
-	-	(1,933,690)	-	-	3,272,427	(3,952,699)	(680,272)
1,053,119	1,264,570	(7,172,143)	527,707	3,967,224	38,748,997	24,222	38,773,219
1,053,119	1,264,570	(7,172,143)	527,707	3,967,224	38,748,997	24,222	38,773,219
-	-	-	(368,040)	-	(368,040)	-	(368,040)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,778	-	-	-	-	12,778	-	12,778
114,975	-	-	-	-	114,975	-	114,975
-	-	-	-	(6,948,496)	(6,948,496)	256	(6,948,240)
127,753	-	-	(368,040)	(6,948,496)	(7,188,783)	256	(7,188,527)
-	259,880	-	-	-	259,880	-	259,880
-	-	-	-	-	-	(24,478)	(24,478)
1,180,872	1,524,450	(7,172,143)	159,667	(2,981,272)	31,820,094	-	31,820,094
-	1,020,539	-	-	25,547,101	60,470,043	-	60,470,043
-	-	-	-	(5,209,536)	(5,209,536)	-	(5,209,536)
-	-	-	-	(5,209,536)	(5,209,536)	-	(5,209,536)
-	244,031	-	-	-	244,031	-	244,031
-	-	-	-	-	5,206,117	-	5,206,117
-	1,264,570	-	-	20,337,565	60,710,655	-	60,710,655
-	1,264,570	-	-	20,337,565	60,710,655	-	60,710,655
-	-	-	-	(482,035)	(482,035)	-	(482,035)
-	-	-	-	(482,035)	(482,035)	-	(482,035)
-	259,880	-	-	-	259,880	-	259,880
-	1,524,450	-	-	19,855,530	60,488,500	-	60,488,500

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Interest received		1,626,296	2,508,253	1,494,992	1,905,000
Proceeds on disposal of subsidiary		50,615	-	-	-
Proceeds from sale of investments		151,470	680,353	-	-
Acquisition of financial investments		(15,000)	-	-	-
Royalty and licence income received		519,452	686,968	-	-
Management fees received (inclusive of GST)		-	-	2,636,040	1,753,620
Grant income		2,500	-	2,500	-
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(9,878,241)	(10,484,961)	(4,667,819)	(4,117,750)
Income tax refund		-	20,232	-	20,232
Net cash flows used in operating activities	22(a)	(7,542,908)	(6,589,155)	(534,287)	(438,898)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of non-controlling interests in subsidiary		-	(680,272)	-	(680,272)
Purchase of plant and equipment		(23,151)	(14,809)	(23,151)	(14,809)
Receipts on behalf of subsidiaries		-	-	202,085	680,353
Payments on behalf of subsidiaries		-	-	(81,383)	(306,176)
Loans to subsidiaries		-	-	(4,060,000)	(695,000)
Repayment of loan by associate		629,987	-	629,987	-
Loan to associate		-	(45,000)	-	(45,000)
Net cash flows from/(used in) investing activities		606,836	(740,081)	(3,332,462)	(1,060,904)
Net cash flows used in financing activities:		-	-	-	-
Net decrease in cash and cash equivalents		(6,936,072)	(7,329,236)	(3,866,749)	(1,499,802)
Net foreign exchange differences		16,513	(50,830)	-	-
Cash and cash equivalents at beginning of year		38,836,560	46,216,626	31,767,522	33,267,324
Less cash held by subsidiary disposed of during the period		(61,832)	-	-	-
Cash and cash equivalents at end of year	11	31,855,169	38,836,560	27,900,773	31,767,522

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. CORPORATE INFORMATION

The financial report of Circadian Technologies Limited (Circadian or the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 19 August 2010.

Circadian (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Basis of preparation

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- (b) New accounting standards and interpretations
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- (ab) Earnings per share

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except that non-current receivables from subsidiaries and non-current payables to subsidiaries are carried at amortised cost, investments classified as available-for-sale are carried at fair value, and investments in associates have been equity accounted for. These accounting policies have been consistently applied throughout the Group.

ASIC Class Order [CO 10/654]

The Group has adopted class order CO 10/654 which permits it to include parent entity financial statements in the financial reports for the year ended 30 June 2010. This ASIC class order was issued on the 26 July 2010.

The financial report is presented in Australian dollars.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2010, are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8	Operating Segments	<i>Disclosure of information about segment assets:</i> Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker.	31 December 2010	The new disclosure requirement will not impact on the Group's financial report as it operates in one single industry and operating segment.	1 July 2011
AASB 9	Financial Instruments and consequential amendments to other standards	The amended standard simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The amended standard also simplifies (i) requirements for embedded derivatives (ii) removes the tainting rules associated with held-to-maturity assets (iii) provides an opportunity to fair value investments in equity instruments to other comprehensive income, with no separate impairment test, whilst taking dividends to income (iv) requires entities to reclassify their financial assets when there is a change in the entity's business model. The standard is available for early adoption ending on or after 31 December 2009 and is applicable to annual reporting periods beginning on or after 1 January 2013.	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013
AASB 101	Presentation of Financial Statements	<i>Current/non-current classification of convertible instruments:</i> The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.	31 December 2010	This will not impact the Group's financial report as it does not hold any debt convertible instrument.	1 July 2011
AASB 107	Statement of Cash Flows	<i>Classification of expenditure on unrecognised assets:</i> Only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.	31 December 2010	This could have an impact in the Group's future reporting periods.	1 July 2011
AASB 117	Leases	<i>Classification of land and buildings:</i> The revised standard no longer provides specific guidance on the classification of land as a lease and only the general guidance remains.	31 December 2010	The Group does not own any land and buildings and this revised standard will have no impact on the Group.	1 July 2011

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 136	Impairment of Assets	<i>Unit of accounting for goodwill impairment testing:</i> The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in AASB 8 before aggregation for reporting purposes.	31 December 2010	This amendment will not have an impact on the Group's financial report.	1 July 2011
AASB 139	Financial Instruments: Recognition and Measurement	The three amendments relate to the assessment of loan prepayment penalties being considered as embedded derivatives, scope exemption for business combination contracts and cash flow hedge accounting.	31 December 2010	The amendments do not have any impact on the Group's financial report as it does not conduct transactions in derivative instruments.	1 July 2011
AASB 2009-9	Additional exemptions for First-time Adopters of IFRS	AASB 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases.	31 December 2010	The amendments do not have any impact on the Group's financial report.	1 July 2011
AASB 2009-8	Group Cash-settled Share-based Payment Transactions (amendments to AASB 2)	The three amendments which have been made relates to the definition of share based transactions and arrangements, the scope of AASB 2 and the guidance on the accounting for group cash-settled share-based payment transactions.	31 December 2010	The Group does not have any cash-based share payment transactions and these amendments do not have any impact on the Group's financial report.	1 July 2011

(c) Basis of consolidation

The consolidated financial statements comprise of the financial statements of Circadian and its subsidiaries (as outlined in note 24) as at 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated group (see note (j) below).

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits over their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Non-controlling interest represent the portion of net profit/loss after tax and net assets in CancerProbe Pty Ltd attributable to the Group and are presented separately as an item in the statement of comprehensive income and within equity in the consolidated statement of financial position.

Refer note (h) below for acquisition of non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Cash and cash equivalents – refer note 11

Cash and cash equivalents in the statement of financial position comprise of cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Current receivables – refer note 12

Receivables generally comprise bank interest receivable, receivable from an associated entity and GST credits receivable, and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

(f) Investments and other financial assets – refer notes 13 and 24

Investments and financial assets are classified as either available-for-sale investments, or loans and receivables, as appropriate, in accordance with *AASB139: Financial Instruments: Recognition and Measurement*.

When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Recognition and derecognition

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or been transferred.

(i) Available-for-sale investments – refer note 13

Available-for-sale investments comprise the Group's non-current investments in listed companies. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

(ii) Loans and receivables – refer note 24

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method and have been calculated by discounting the principal amounts over the relevant term using the relevant LIBOR rate which matches that term as closely as possible. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired.

Non-current receivables comprise loans receivable from subsidiaries which are not interest bearing. The parent has agreed that the loans with its subsidiaries will not be recalled for a period of 12 months from the date the directors adopt the relevant annual financial statements of the Group, parent and subsidiaries.

(g) Impairment of financial assets

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

(i) Available-for-sale investments – refer note 13

If there is objective evidence (i.e. significant or prolonged decline in quoted market bid prices) that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from equity to profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised.

(ii) Financial assets carried at amortised cost

Loans receivable from subsidiaries in the parent's accounts are financial assets carried at amortised cost. If there is objective evidence that an impairment loss on intercompany loans receivable carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

The Group firstly assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and secondly individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group financial assets with similar credit risk characteristics and that group of financial

assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the cumulative impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(h) Acquisition of non-controlling interests – premium on acquisition – refer note 21

The premium paid on the acquisition of the non-controlling interests is measured at the excess of the consideration paid over the Group's interest in the net assets acquired from the acquiree on the date of the acquisition. The premium is treated as an equity transaction and recognised in the "Equity reserve attributable to parent" account.

(i) Investments in subsidiaries – refer note 13

Investments in subsidiaries are carried at cost. If there is objective evidence that an impairment loss has been incurred on investments in subsidiaries, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in profit or loss.

(j) Investments in associates – refer note 14

The Group's investment in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities in which the Group has significant influence and which is neither a subsidiary or a joint venture.

Under the equity method, the investments in the associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. Impairment loss arises where the carrying value of the investment exceeds its recoverable amount. Where the investment in associate is a listed investment, the recoverable amount is the quoted market bid price for that asset at balance date. The amount of impairment loss is the difference between the recoverable amount and carrying value.

Where the investment is an unquoted investment, the amount of the loss is recognised in profit or loss and its share of post-acquisition movements in equity and reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted

against the carrying amount of the investment. Dividends receivable from associates are recognised in the relevant parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Cessation of equity accounting

Upon cessation of equity accounting, the Group recognises in profit or loss, any difference between the fair value of the retained investment and proceeds from disposing of the part interest and the carrying value of the investment at the date in which significant influence is lost.

(k) Interest in a jointly controlled operation – refer note 23

The Group enters into agreements with universities and research institutes for pharmaceutical research and development projects which are considered "joint venture" arrangements. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity (normally pharmaceutical research and development projects which are considered "joint venture" arrangements. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity (normally pharmaceutical research) that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interests in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(l) Plant and equipment – refer note 15

Plant and equipment are measured at cost and are depreciated on a straight-line basis over their useful economic lives as follows:

- Equipment and furniture – 3 to 10 years
- Leasehold improvements – 8 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases – refer note 8

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

The Group held no finance leases during the 2010 and 2009 financial years.

(n) Impairment of non-financial assets other than goodwill – refer note 14

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the policy relating to impairment regarding investments in associates, see note 2(j) above.

Circadian conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflow from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(o) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable asset, liabilities and contingent liabilities.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing whether the subsidiary carrying on research and development activities has met its research and development milestones and also by looking at other qualitative aspects of the research and development project.

Goodwill is measured at cost less any accumulated impairment losses. Impairment losses recognised for the goodwill are not subsequently reversed.

(p) Intangible assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

(q) Intellectual property costs

Amounts incurred for rights to or acquisition of intellectual property are expensed in the year in which they are incurred to the extent that such intellectual property is used for research and development activities.

(r) Research and development costs – refer note 23

Research costs are expensed as incurred.

An intangible asset arising from the development expenditure on an internal project will only be recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

(s) Payables – refer note 16

Payables are carried at amortised cost and due to their short term nature, they are not discounted. They 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. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Loans and borrowings – refer note 24

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 method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

The parent's current payables include loans from subsidiaries which are not interest bearing. The relevant subsidiaries have agreed that the loans to the parent will not be recalled for a period of 12 months from the date the directors adopt the annual financial statements of the parent. Loans payable to subsidiaries in the parent's accounts are financial liabilities carried at amortised cost.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(u) Employee benefits – refer notes 8, 17 and 18

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(v) Share-based payment transactions – refer note 26

Equity settled transactions

The Group provides benefits to employees (including key management personnel) of the Group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently an Employee Share Option Plan which provides these benefits to employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer. A binomial model, the Monte Carlo simulation or Hull model, as appropriate, are used for options issued.

In valuing transactions settled by way of issue of options, no account is taken of any performance (or vesting) conditions, other than conditions linked to the price of the shares of Circadian (market conditions).

The cost of the equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent report date until vesting, the cumulative charge to profit or loss is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period; and
- (iii) the expired portion of the vesting period.

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are met.

Where the terms of the equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. There is, however no dilutive effect when there is a loss per share.

(w) Contributed equity – refer note 19

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition – refer note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest revenue

Almost all of the Group's interest revenue is earned on short-term bank deposits and as such interest revenue is recognised when the Group's right to receive the payment is established.

(ii) Royalty fee and licence fee revenue

Royalty fee and licence fee revenue is recognised when earned.

(iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(y) Income tax – refer note 9

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associate or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets (or credits) and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in profit or loss.

Tax consolidation legislation

Circadian, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts.

The head entity, Circadian, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the group. This method requires adjustments for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group.

In addition to its own current and deferred tax amounts, Circadian also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The head entity, which is the parent entity, in assuming the net unused tax losses and unused relevant tax credits, has recognised reductions to investments in subsidiaries and where the amount of tax losses assumed is in excess of the carrying value of the investment, the parent has recognised the difference as a distribution from subsidiary in profit or loss.

(z) Other taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included 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 is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(aa) Government grants – refer note 7

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

(ab) Earnings per share – refer note 10

Diluted earnings per share is calculated as net profit/loss divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. The share options are not dilutive as their respective exercise prices are in excess of the share price at year end. Whilst the deferred shares would generally be included in the calculation as their conditions of issuance are known to be satisfied, due to there being a loss for the current year, these instruments would be anti-dilutive (decrease the loss per share). Accordingly they have been excluded from the calculation, resulting in basic earnings/(loss) per share being the same as the diluted value per share.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets comprise cash, receivables, short-term deposits and financial investments. The parent's principal financial assets comprise cash, short-term deposits and intercompany receivables from wholly owned subsidiaries.

The Group (including the parent) manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management practices. The objective is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group's other various financial assets and liabilities, such as receivables and payables, arise directly from its operations. The main risks arising from the Group's financial assets and liabilities are interest rate risk, foreign currency risk, equity securities price risk and liquidity risk.

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 and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange rates. Liquidity risk is monitored through future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risk as summarised below.

Risk exposures and responses

The Group has investigated the main financial risk areas which could impact on its financial assets and determined the impact on post tax (losses) or profits for a range of sensitivities. These can be seen in the post tax (loss)/profit impact for each risk area.

For each risk area, the equity impact relates solely to reserve movements and excludes retained earnings movements as the impact of these can be seen within the post tax (loss)/profit impact.

(i) Interest rate risk

The Group's (including the parent) exposure to market interest rates relates primarily to the short-term deposits. The deposits are held with one of Australia's largest banks.

The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rates that might impact its interest revenue and cash flow. To manage interest rate risk, the Group invests the majority of its cash in short-term deposits for varying periods of between 30 days and 90 days, depending on the short and long-term cash requirements of the Group which is determined based on the Group's cash flow forecast. This consideration also takes into account the costs associated with recalling a term deposit should early access to cash and cash equivalents be required. Cash is not locked into long-term deposits at fixed rates so as to mitigate the risk of earning interest below the current floating rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Group does not have any borrowings.

The following sensitivity analysis (an annual effect) is based on the interest rate risk exposures in existence at balance date.

As at 30 June 2010, given that the interest risk associated with the Group and parent relates solely to interest income (the Group has no third party borrowings), if interest rates moved, with all variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Post tax (loss)/profit impact		Equity impact	
	2010 \$	2009 \$	2010 \$	2009 \$
CONSOLIDATED				
+ 0.50% (50 basis points)	135,000	192,743	-	-
+ 0.75% (75 basis points)	202,500	289,114	-	-
PARENT				
+ 0.50% (50 basis points)	135,000	158,838	-	-
+ 0.75% (75 basis points)	202,500	238,256	-	-

Given the amount of unrecognised tax losses in existence, the post tax figures include an offset of these tax losses (bringing the tax effect to nil) for the year ended 30 June 2010 (2009: Nil).

Significant assumptions used in the interest rate sensitivity analysis include:

- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months from balance date.

(ii) Price risk

The Group's investment in listed shares is exposed to equity securities price risk and as such their fair values are exposed to fluctuations as a result of changes in market prices.

Equity price risk is the risk that the fair value of equities will decrease as a result of share price movements. The Group's equity investments are publicly traded on the ASX and are designated and accounted for as "available-for-sale" financial assets (except for those which are recognised as associates).

The investments in listed shares are not held for short-term trading. Their values are reviewed regularly by management and the Board. The strategy for realising any part of these investments is determined based on the liquidity of the respective stocks, potential off-market acquirers and likely developments in their values based on publicly available information.

At 30 June 2010, had the share price moved with all other variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Impact on loss after tax	Impact on equity after tax	Impact on loss after tax	Impact on equity after tax
	2010 \$	2010 \$	2009 \$	2009 \$
CHANGE IN VARIABLES				
10% increase in listed share price	-	122,893	33,354	-
10% decrease in listed share price	-	(122,893)	(33,354)	-

The parent has no equity price risk, as all the investment in equities are held by the subsidiaries.

(iii) Foreign currency risk

As a result of services predominantly provided by non-related entities in the United States, United Kingdom and Europe, part of the Group's financial assets and liabilities are affected by movements in the US\$ / A\$ exchange rate, the Euro / A\$ exchange rate and GBP / A\$ exchange rate.

The Group does not enter into any hedging transactions.

As at reporting date, the Group has the following exposure to foreign currencies:

	Consolidated			Consolidated		
	USD	EURO	GBP	USD	EURO	GBP
	2010	2010	2010	2009	2009	2009
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash	1,363,893	-	2,569,469	288,028	-	-
Receivables	36,704	1,282	907	74,303	81,136	-
FINANCIAL LIABILITIES						
Payables	(679,263)	(176,014)	(360,892)	(641,652)	(224,057)	-
Net exposure	721,334	(174,732)	2,209,484	(279,321)	(142,921)	-

The parent entity has minimal exposure to foreign currency.

The following sensitivity is based on the foreign currency risk exposures in existence at balance date.

At 30 June 2010, had the Australian dollar moved with all other variables held constant, post tax (loss) profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements:	Post tax (loss)/profit impact		Equity impact	
	2010	2009	2010	2009
	\$	\$	\$	\$
CONSOLIDATED				
AUD/USD +10%	(65,576)	25,393	-	-
AUD/USD -5%	37,965	(14,701)	-	-
AUD/Euro +10%	15,885	12,993	-	-
AUD/Euro -5%	(9,196)	(7,522)	-	-
AUD/GBP +10%	(200,862)	-	-	-
AUD/GBP -5%	116,289	-	-	-

The reasonably possible movements at 30 June 2010 are higher than at 30 June 2009 due to the higher net exposure to the US dollar and the GBP. There was minimum or insignificant exposure to the GBP during the prior financial year compared to the current year.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- The reasonably possible movement of 10% was calculated by taking the USD, EUR and GBP spot rates as at balance date, moving these by 10% and then re-converting the USD, EUR and GBP into AUD with the "new-spot-rate". This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months from balance date.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk

Credit risk is associated with those financial assets of the Group which comprise cash and cash equivalents and listed investments. The Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these investments. Credit risk is considered minimal as the Group transacts with a reputable recognised third party (the Commonwealth Bank of Australia).

(v) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group has minimal liquidity risk because of the high balances of cash and cash equivalents.

The Group's objective is to maintain an appropriate cash asset balance to fund its operations.

(vi) Fair value

The Group has investments in listed equities which are calculated using the quoted prices in an active market. These investments are classified as falling into level 1 hierarchy per AASB7: *Financial Instruments: Disclosure*. The Group does not have any derivative investments (level 2 hierarchy) where the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices). The Group also does not hold any financial instruments that fall into level 3. Level 3 fair value measurement uses observable inputs that require significant adjustments based on observable inputs to estimate its value.

Details of the fair value of the investments in listed equities are disclosed in note 13(a) of the financial statements.

The methods for estimating fair value are also outlined in the relevant notes to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting estimates

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

No development costs were capitalised during the current year.

Impairment of available-for-sale assets

The Group holds available-for-sale financial assets and follows the requirements of AASB139: *Financial Instruments: Recognition and Measurement* in determining when an available-for-sale asset is impaired. For the year ended 30 June 2010, the Group deemed it appropriate to recognise an impairment in profit or loss as it was unknown when recovery in the share price of the available-for-sale asset may occur.

Taxation

The Group's accounting policy for taxation requires management judgements 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 in 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 taxation profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future operating costs, capital expenditure and the possible timing of realising capital gains taxes/losses. 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 in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to profit or loss.

Valuation of investments

The Group has classified investments in listed securities (other than investments in associates) as "available-for-sale" investments and movements in fair value are recognised directly in equity, unless considered impaired. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Cessation of equity accounting

The Group has ceased the application of equity accounting in its associated entity, Antisense Therapeutics Limited during the current period. Upon the cessation of equity accounting, the Group recognises in profit or loss, any difference between the fair value of the retained investment and proceeds from disposing of the part interest and the carrying value of the investment at the date in which significant influence is lost.

5. SEGMENT INFORMATION

The consolidated entity operates predominantly in one industry and one geographical segment, those being the medical technology and healthcare industry and Australia respectively.

The Group is a biologics drug developer building on its significant intellectual property portfolio around Vascular Endothelial Growth Factor (VEGF) C and D (angiogenic molecules). The Group is focused primarily on developing biological therapeutics for cancer and other serious diseases.

The objective is to generate value by undertaking pre-clinical and early human clinical development and partnering with pharmaceutical companies the further development of major therapeutic indications while retaining rights to selected indications.

The chief operating decision maker regularly reviews entity wide information that is compliant with Australian Accounting Standards. There is only one segment for segment reporting purposes and the information reviewed by the chief operating decision maker is the same as the information presented in the statement of financial position, statement of comprehensive income and statement of cash flows.

6. REVENUE

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) Finance revenue				
Interest from:				
– Bank	1,600,744	2,276,337	1,478,837	1,709,540
– Related party – associated company	29,006	30,858	29,006	30,858
– Related party – wholly owned subsidiaries	-	-	350,597	334,738
– Other unrelated persons	-	1,522	-	1,492
	1,629,750	2,308,717	1,858,440	2,076,628
(b) Investment income				
Net gain on sale of investments (i)	-	61,108	-	-
Gain on disposal of subsidiary (ii)	13,899	-	-	-
	13,899	61,108	-	-
(c) Other revenue				
Management fee (note 24(b)(iii))	-	-	2,520,000	2,025,600
Royalty and licence fees	621,712	721,618	-	-
	621,712	721,618	2,520,000	2,025,600
Total Revenue	2,265,361	3,091,443	4,378,440	4,102,228

(i) The net gain on sale of investments of \$61,108 in the prior period relates to the sale in April 2009 of 3,031,457 share rights in Avexa Limited which were received via a renounceable rights issue as announced by Avexa Limited on 25 March 2009.

(ii) The gain on disposal of subsidiary relates to the disposal of the Group's 60% interest in Cancer Probe Pty Ltd in September 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

7(a). OTHER INCOME

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Distributions from subsidiaries (note 9(f))	-	-	-	-
Government grant income	2,500	-	2,500	-
Net foreign exchange gains	68,848	-	-	-
	71,348	-	2,500	-

7(b). GAIN ON CESSATION OF EQUITY ACCOUNTING

The gain on the cessation of equity accounting relates to the profit recognised on the discontinuation of equity accounting for Antisense Therapeutics Limited and the proceeds received on the sale of 5,000,000 shares on 24 March 2010. As a result of the sale of these shares, the percentage holdings held by the Group (via its subsidiary Polychip Pharmaceuticals Pty Ltd) reduced from 18.7% from 17.3%. The Group also hold shares in Antisense Therapeutics Limited via its associated entity, Syngene Limited, which has also sold shares in Antisense Therapeutics Limited in the current financial year. Given the reduction in shareholding, the directors assessed whether the Group has significant influence over Antisense Therapeutics Limited, and concluded that this is no longer the case. The directors passed a resolution to cease application of equity accounting of the legal entity from 24 March 2010.

The net gain on the cessation of equity accounting comprised the following:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Fair value of shares held in Antisense Therapeutics Limited	3,118,339	-	-	-
Disposal of shares at fair value on 24 March 2010	153,000	-	-	-
Less equity accounted carrying value (note 14(c))	(430,041)	-	-	-
Less commissions and brokerage charges	(1,530)	-	-	-
Gain on cessation of equity accounting	2,839,768	-	-	-

8. EXPENSES

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) Impairment losses				
Loan to associate (i) and (note 14(b))	(629,987)	45,000	(629,987)	45,000
Loan to subsidiaries	-	-	22,951	1,000,049
Listed financial investments (ii)	1,793,554	437,590	-	-
	1,163,567	482,590	(607,036)	1,045,049

(i) Syngene Limited, an associated entity of Circadian, fully repaid a loan totalling \$629,987 on the 21 May 2010. The entire amount of the loan which has been provided to Syngene Limited was impaired in the prior periods. Upon the full repayment, the impairment losses on the loan were reversed and recognised in profit or loss. Refer note 14(b).

(ii) The impairment loss of \$1,793,554 relates to the impairment of the investment in Antisense Therapeutics Limited as at 30 June 2010, upon the discontinuation of equity accounting. The share price of the remaining shares held in Antisense Limited has decreased from 3.06 cents, on the date equity accounting ceased, to 1.3 cents as at 30 June 2010.

The impairment loss in the prior year ended 30 June 2009 relates to Optiscan's share price decreasing to 4.1 cents at 30 June 2009, which is below the average cost price of 9.5 cents per share. The impairment amount of \$437,590 represents the market value of the shares as at 30 June 2009 (\$333,541 less the cost price of the investment of \$771,131) (also see note 13).

(b) Realised investment losses

The realised investment losses for the 2009 financial year relates to the sale by the Group of its remaining holding of shares in Avexa Limited. The Group recognised an investment loss of \$408,501 upon the disposal of the shares.

(c) Impairment of investments in subsidiaries	-	-	374,101	3,433,368
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The impairment of investments in the subsidiaries of the Company arose from the carrying amount exceeding the net assets of the relevant subsidiaries at balance date. See note 2(i) and note 24(a).

(d) Other expenses included in the statement of comprehensive income

Included in occupancy expenses:

- Operating lease rentals	101,693	101,297	101,693	101,297
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Included in administrative expenses:

- Depreciation of:

Equipment and furniture (note 15)	28,111	33,717	24,833	30,406
Leasehold improvements (note 15)	478	351	478	351

Total depreciation expense	28,589	34,068	25,311	30,757
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- Employee benefits expense:

Salaries and fees	2,400,995	1,946,846	2,400,995	1,946,846
Cash bonuses	247,340	206,250	247,340	206,250
Superannuation	247,508	209,409	247,508	207,610
Share-based payments expense (note 26)	259,880	244,031	259,880	244,031
Other employee benefits expense	7,707	184,967	7,919	184,682
	3,163,430	2,791,503	3,163,642	2,789,419

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

9. INCOME TAX

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) Income Tax Expense				
The major components of income tax expense are:				
Statement of Comprehensive Income				
Current income tax				
Current income tax charge	-	405,046	-	16,290
Adjustments in respect of tax losses of previous years	(6,465)	(117,831)	(103)	(36,523)
Deferred income tax				
Relating to origination and reversal of temporary differences	115,967	(241,348)	(5,904)	42,180
Income tax expense reported in the statement of comprehensive income	109,502	45,867	(6,007)	21,947

(b) Amounts charged or credited directly to equity

Deferred income tax related to items charged (credited) directly to equity

Net unrealised loss on listed investments (i)	-	(295,922)	-	-
Income tax benefit reported in equity	-	(295,922)	-	-

(i) Deferred tax was not recognised directly in equity in the current reporting period due to the low probability of realisation.

(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting loss before tax	(6,838,738)	(9,875,803)	(488,042)	(5,187,589)
At the parent entity's statutory income tax rate of 30% (2009: 30%)	(2,051,621)	(2,962,741)	(146,413)	(1,556,277)
Adjustment in respect of tax losses of previous years	(6,465)	(117,831)	(103)	(36,523)
Unrecognised unrealised and realised tax assets	3,464,673	6,454,329	340,897	185,269
Increase in deferred tax assets due to temporary differences	(838,569)	(2,908,563)	(153,918)	(87,033)
(Decrease)/increase in deferred tax liabilities due to temporary differences	(4,737)	(199,358)	3,132	(45,702)
Expenditure not allowable for income tax purposes	48,627	577,319	4,055	1,570,385
Income (not assessable)/assessable for income tax purposes	(29,834)	76,523	(53,657)	(408)
Research and development additional deductions allowable	(154,538)	(251,481)	-	(7,764)
Difference between tax gain/loss and accounting gain/loss on disposal of investments – non-assessable	(318,034)	(622,330)	-	-
Income tax expense reported in the statement of comprehensive income	109,502	45,867	(6,007)	21,947

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
(d) Recognised deferred tax assets and liabilities in statement of financial position				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities:				
Temporary difference for investment in associate	(89,391)	(100,621)	-	-
Temporary difference on intercompany loans to subsidiaries	-	-	(17,133)	(17,857)
Interest and royalty income receivable (future assessable income)	(65,745)	(52,758)	(24,485)	(20,629)
	(155,136)	(153,379)	(41,618)	(38,486)
Deferred tax assets:				
Tax losses	6,465	-	103	-
Employee provisions	10,366	-	10,366	-
Future allowable deductions/income not assessable	28,705	153,281	19,299	20,629
	45,536	153,281	29,768	20,629

(e) Recognised deferred tax expense in statement of comprehensive income

Deferred income tax at 30 June relates to the following:

Temporary difference for investment in associate	11,230	182,555	-	-
Temporary difference on intercompany loans to subsidiaries	-	-	724	(3,229)
Interest and royalty income receivable (future assessable income)	(12,987)	16,804	(3,856)	48,933
Employee provisions	10,366	(35,976)	10,366	(35,976)
Future allowable deductions/income not assessable	(124,576)	77,965	(1,330)	(51,908)
Deferred tax expenses	(115,967)	241,348	5,904	(42,180)

(f) Unrecognised temporary differences

At 30 June 2010, there are no unrecognised temporary differences relating to deferred tax liabilities associated with the Group's investments in subsidiaries, associates or joint ventures, as the Group has no liability for additional taxation should unremitted earnings be remitted (2009: Nil).

Temporary differences with respect to deferred taxes associated with investments, intellectual property and other miscellaneous items which have a low probability of realisation are also unrecognised. These amounted to \$959,272 at year end (2009: \$4,545,187).

(g) Tax consolidation

(i) Members of the tax consolidated group

Circadian and its 100% owned subsidiaries formed a tax consolidated group effective 1 July 2003. Circadian is the head entity of the tax consolidated group.

(ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the group. For details with respect to this method, see accounting policy note 2(y).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9. INCOME TAX (CONTINUED)

(g) Tax consolidation (continued)

Tax consolidation contributions/(distributions)

In preparing the accounts for Circadian for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:

	Parent	
	2010	2009
	\$	\$
Total increase/(reduction) to tax expense of Circadian	-	-
Total increase/(reduction) to investments in subsidiaries	-	18,332
Total distributions (to)/from subsidiaries recognised in the income statement of Circadian	-	(289,115)

(h) Carry forward unrecognised tax losses

The Group had income tax losses of \$7,818,317 and capital losses of \$876,671 at year end (2009: income tax losses of \$5,312,917 and capital losses of \$726,547) for which no deferred tax asset is recognised on the statement of financial position as they are currently not considered probable of realisation. These tax losses are available indefinitely for offset against future assessable income subject to continuing to meet relevant statutory tests.

(i) Franking credit balance

The franking account balance at the end of the financial year at 30% is \$330,630 (2009:\$330,630), which represents the amount of franking credits available for the subsequent financial year.

10. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations:

	Consolidated	
	2010	2009
	\$	\$
(a) Earnings used in calculating earnings per share		
Net loss attributable to ordinary equity holders of the parent	(6,948,496)	(9,916,648)
(b) Weighted average number of shares		
Weighted average number of ordinary shares on issue for basic earnings per share	45,241,928	44,625,032
Effect of dilution:		
Deferred shares	-	-
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	45,241,928	44,625,032

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of this financial report.

Diluted earnings per share is calculated as net profit/(loss) divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. The share options in place are not dilutive as their respective exercise prices are in excess of the share price at year end. Although the deferred shares would generally be included in the calculation due to the conditions of the issuance being satisfied, because there is a loss in the current year, these instruments would be anti-dilutive (decrease the loss per share) and therefore have been excluded from the calculation. Therefore, the basic loss per share is the same as the diluted value per share.

(c) Information on the classification of securities

Options granted to employees (including key management personnel) as described in note 26 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS AND NON-CASH INVESTING ACTIVITIES

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
(a) Cash and cash equivalents				
Cash at bank and in hand	4,855,169	1,831,560	900,773	517,522
Short-term deposits	27,000,000	37,005,000	27,000,000	31,250,000
	31,855,169	38,836,560	27,900,773	31,767,522

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short term-deposits are with a major bank and are made for varying periods of between 30 days and 90 days, depending on the immediate cash requirements of the Group, and earn interest at a fixed rate for the respective short-term deposit periods. At year end, the average rate was 5.81% (2009: 4.24%).

(b) Non-cash investing activities

Settlement (part consideration) of acquisition of non-controlling interests in subsidiary

-	5,206,117	-	5,206,117
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12. CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Interest receivable	81,617	78,739	81,617	68,765
Receivable – related party (i)	-	-	693,000	557,040
Royalty income receivable (ii)	32,596	83,831	-	-
GST receivable (ii)	203,029	165,761	19,865	-
Other (ii)	40,665	146,056	-	69,320
Total current receivables	357,907	474,387	794,482	695,125

(i) *Parent:* A management service agreement between Circadian and its subsidiary Vegenics Limited was signed in March 2007 relating to the provision of management and related support services by Circadian. The original agreement provided for a management fee of \$75,000 plus GST payable monthly in arrears. The agreement was amended effective 1 July 2009 providing for an increase to \$210,000 plus GST payable monthly in arrears. The increase is due to the provision of the services of additional personnel, related overheads and for the services of the Product Development Review Committee. The related party receivable is non-interest bearing and has payment terms of 30 days.

(ii) These receivables are non-interest bearing, most of which have repayment terms between 30 and 60 days.

(a) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximated their fair value. The maximum exposure to credit risk is the fair value of receivables.

(b) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

13. NON-CURRENT ASSETS – FINANCIAL INVESTMENTS AND SUBSIDIARIES

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Listed Australian shares – at fair value	1,755,612	333,541	-	-
Unlisted subsidiaries (b) (note 24) – carrying value	-	-	31,988,665	32,145,141
Total non-current investments	1,755,612	333,541	31,988,665	32,145,141

(a) Details of listed Australian shares

	Ownership interest		Fair value (i)		Cost of investment	
	2010 %	2009 %	2010 \$	2009 \$	2010 \$	2009 \$
Listed investments						
Non-current investments:						
Optiscan Imaging Ltd (ii)	6.4	6.9	430,828	333,541	786,131	771,131
Antisense Therapeutics Ltd (iii)	17.3	18.7	1,324,784	3,955,540	3,118,339	3,114,766
Total listed investments			1,755,612	4,289,081	3,904,470	3,885,897

Non-current investments in listed shares (which are not associates) are designated and accounted for as “available-for-sale” financial assets pursuant to AASB139: *Financial Instruments: Recognition and Measurement*.

These non-current investments in listed shares consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

- (i) The fair value represents the share (bid) price at year end, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments. The capital gains tax that may be applicable on the disposal of these investments is included in the deferred tax liability account.
- (ii) An impairment loss of \$437,590 was recognised in profit or loss in the prior year relating to the investment in Optiscan Imaging Limited. See note 8(a) for further details.
- (iii) The Group discontinued the application of equity accounting in recognising the investment in Antisense Therapeutics Ltd on 24 March 2010. This has been due to the loss of significant influence in Antisense Therapeutics Ltd resulting from the sale of shares through its subsidiary, Polychip Pharmaceuticals Pty Ltd. The sale of the shares reduced the shareholding to 17.3%. As a result, the investments in Antisense Therapeutics have been accounted for as an available for sale financial asset instead of being recognised as an investment in associate as per AASB128: *Investments in Associates*.

The fair value of Antisense Therapeutics Limited has decreased in the current reporting period due to the sale of 5,000,000 shares and the reduction in the share price from 3.7 cents as at 30 June 2009 to 1.3 cents as at 30 June 2010. As at 30 June 2010, the Group holds 101,906,497 shares in Antisense Therapeutics Limited (2009: 106,906,497 shares).

- (iv) An impairment loss of \$1,793,554 was recognised in profit or loss relating to the impairment of the investment in Antisense Therapeutics Ltd. (Refer to note 8(a) for further details.)

(b) Details of investments in subsidiaries

Details of the investments in subsidiaries are fully disclosed in note 24 (a).

(c) Impairment of investments in subsidiaries

There was an impairment of investments in the subsidiaries of the Company of \$374,101 during the 2010 financial year (2009: \$3,433,368) which arose from the carrying values exceeding the net assets of the relevant subsidiaries. See note 24(a).

14. NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES

(a) Investment details

	Ownership interest		Carrying amount	
	2010 \$	2009 \$	2010 \$	2009 \$
Listed:				
Antisense Therapeutics Ltd – Gene directed therapeutics	-	18.7	-	735,623
Unlisted:				
Syngene Limited – Gene diagnostics	42.4	42.4	528,728	566,161
			528,728	1,301,784

The Group's proportion of voting power held in each associate is the same as its ownership interest. The Group's investments in the associates are accounted for in accordance with the accounting policy described in note 2(j).

Syngene Limited is an unlisted public company, whilst Antisense Therapeutics Limited is listed on the Australian Securities Exchange. The associates are both incorporated in Australia and have 30 June reporting dates. Antisense Therapeutics Limited ceased to be an associated entity of the Group as a result of the sale of its shareholdings in the current financial year. Refer to note 13(iii). The investment in Antisense Therapeutics Limited in the current financial year has been accounted for as an available for sale financial asset as per AASB139: *Financial Instruments: Recognition and Measurement*.

(b) Impairment

There was an impairment loss of \$45,000 in the 2009 financial year relating to the write-down of the loan advanced to Syngene Limited. This amount is disclosed in note 8 and included in the line "Impairment losses" in the statement of comprehensive income. Syngene Limited fully repaid the loan on 21 May 2010 and the impairment losses totalling \$629,987 (representing the principal of the loan), which has been recognised in the prior periods, were reversed in the current reporting period.

	Consolidated	
	2010 \$	2009 \$

(c) Movements in the carrying amounts of the Group's investments in associates

Antisense Therapeutics Limited:

At 1 July	735,623	1,186,481
Acquisition of shares	-	-
Net gain on new share issue by associate (note 20(b)(iii))	114,975	-
Share of movement in equity reserve (note 20(b)(iii))	12,778	45,436
Share of loss after income tax	(433,335)	(496,294)
Cessation of equity accounting	(430,041)	-

At 30 June	-	735,623
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Syngene Limited:

At 1 July	566,161	1,174,677
Share of (loss)/profit after income tax	412,894	(108,105)
Share of net unrealised (loss)/gain on listed investment for the year (i)	(450,327)	(500,411)

At 30 June	528,728	566,161
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- (i) The Group's share of the net unrealised gain on listed investment represents Syngene's 5.98% (2009: 9.53%) investment in Antisense Therapeutics Limited. The movement in the fair value of this investment during the year is recognised in the net unrealised gains reserve account (see note 20(b)(iv)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

14. NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES (CONTINUED)

(d) Fair value of investment in listed associate

The fair value of the Group's investment in Antisense Therapeutics Limited is \$1,324,784 (2009: \$3,955,540). The Group ceased the application of equity accounting during the period and has accounted for this investment as an available for sale financial asset. Also see note 13(a)(iii).

(e) Share of associates' commitments – Equity accounting only

- (i) Antisense Therapeutics Limited has an expenditure commitment of nil (2009: \$79,310) relating to research and development and is payable within one year. The Group's share of this expenditure commitment is nil (2009: \$14,855).

The lease expenditure commitment for Antisense Therapeutics amounts to nil (2009: \$23,976) which is payable within one year. This commitment relates to the leasing of office premises. The lease is for a term of one year with a renewal option for a further one year. The Group's share of Antisense Therapeutics lease expenditure commitment is nil (2009: \$4,491). Syngene Limited has no commitments for the current reporting period (2009: Nil).

(f) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associates.

	Consolidated	
	2010	2009
	\$	\$
Extract from associates' statement of financial position:		
Current assets	917,544	5,012,223
Non-current assets	393,372	2,021,413
	1,310,916	7,033,636
Current liabilities	63,328	1,097,638
Non-current liabilities	-	672,581
	63,328	1,770,219
Net assets	1,247,588	5,263,417
Share of associates' net assets	528,728	1,301,784
Extract from the associates' statement of comprehensive income:		
Revenue	1,545,602	734,464
Net loss	(1,414,568)	(2,904,813)
Share of the associates' profit or loss accounted for using the equity method:		
Profit/(loss) before income tax	168,681	(771,279)
Income tax (expense)/benefit	(189,122)	166,880
Loss after income tax	(20,441)	(604,399)

The share of the associates' loss has decreased in the current period due to cessation of equity accounting for Antisense Therapeutics Limited from 24 March 2010 and Syngene Limited reporting a profit as a result of the sale of shares in Antisense Therapeutics Limited.

(g) Contingent liabilities of associates

The associates have no contingent liabilities at year end.

15. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Equipment and furniture at cost				
Opening balance	218,897	250,484	208,140	239,727
Additions	17,015	15,164	17,015	15,164
Disposals	(6,926)	(46,751)	(6,926)	(46,751)
Closing balance	228,986	218,897	218,229	208,140
Accumulated depreciation				
Opening balance	158,122	171,156	153,500	169,845
Depreciation for the year	28,111	33,717	24,833	30,406
Disposals	(5,759)	(46,751)	(5,759)	(46,751)
Closing balance	180,474	158,122	172,574	153,500
Net carrying amount	48,512	60,775	45,655	54,640
Leasehold improvements at cost				
Opening balance	79,478	73,697	79,478	73,697
Additions	-	5,781	-	5,781
Closing balance	79,478	79,478	79,478	79,478
Accumulated depreciation				
Opening balance	73,661	73,310	73,661	73,310
Depreciation for the year	478	351	478	351
Closing balance	74,139	73,661	74,139	73,661
Net carrying amount	5,339	5,817	5,339	5,817
Total plant and equipment, net	53,851	66,592	50,994	60,457

16. CURRENT LIABILITIES – PAYABLES

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Creditors (unsecured) (i)	2,117,930	1,743,240	524,972	396,850
Income received in advance	202,522	277,441	-	-
PAYG tax liability	57,898	55,140	57,898	55,140
With-holding tax payable	11,673	-	-	-
GST payable	95,593	68,218	95,485	68,218
	2,485,616	2,144,039	678,355	520,208

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

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

17. CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Annual leave	173,020	136,936	173,020	136,936
Long service leave	-	50,360	-	50,360
	173,020	187,296	173,020	187,296

18. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Long service leave	34,552	21,228	34,552	21,228

Refer to note 2(u) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

19. CONTRIBUTED EQUITY

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
(a) Ordinary shares				
Issued and fully paid at 30 June	38,374,094	38,374,094	38,374,094	38,374,094
Movement in ordinary shares:				
Opening balance	38,374,094	33,167,977	38,374,094	33,167,977
Issue of shares (i)	-	4,247,467	-	4,247,467
Deferred share issue (i)	-	958,650	-	958,650
	38,374,094	38,374,094	38,374,094	38,374,094
Ordinary shares on issue:				
	No:	No:	No:	No:
Opening balance	45,241,928	40,124,498	45,241,928	40,124,498
Issue of shares (i)	-	5,117,430	-	5,117,430
	45,241,928	45,241,928	45,241,928	45,241,928
(b) Deferred shares on issue:				
Opening balance	1,155,000	-	1,155,000	-
Shares to be issued (i)	-	1,155,000	-	1,155,000
	1,155,000	1,155,000	1,155,000	1,155,000

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

- (i) Circadian completed its acquisition of 100% of Vegenics on 14 August 2008 (previously 67% owned by Circadian), providing it with complete ownership and control of rights to Vegenics' extensive product pipeline and intellectual property which forms the basis for Circadian's new core business. It acquired the additional 33% interest from Ludwig Institute for Cancer Research (LICR) and Licentia Limited (Licentia). Under this transaction, LICR and Licentia have become substantial shareholders of Circadian. Consideration for the acquisition of LICR's and Licentia's interests in Vegenics was in two tranches:

Tranche 1:

- 5,117,430 Circadian shares were issued to LICR (2,589,635 shares) and Licentia (2,527,795) on 14 August 2008 which represented a combined interest of 11.3% after the share issue. The value of the issued shares was \$4,247,467.
- 50% of the shares were escrowed for a period of 12 months from the date of issue. On 14 August 2009, the initial 50% of the shares were released from escrow. The remaining 50% were escrowed until 14 August 2010 (24 months from their issue date); and
- a cash payment of Euro 400,000 (A\$680,272) was made to Licentia.

Tranche 2:

- A further 1,155,000 Circadian shares have been issued to LICR (532,455 shares) and Licentia (622,545 shares) on the earlier to occur of certain product development milestones or the second anniversary of the date of Circadian's acquisition of LICR's and Licentia's interests in Vegenics (i.e. 14 August 2010). The value of the shares to be issued is \$958,650.

Refer to note 21(b) for further details on the acquisition of the non-controlling interests in Vegenics.

Share options:

The Company has one share based-payment scheme: the Employee Share Option Plan under which options to subscribe for the Company's shares have been granted to certain employees (refer to note 26).

(c) Capital management

The Group is not subject to any externally imposed capital requirements.

When managing share capital, management's objective is to ensure the entity continues as a going concern as well as to provide benefits to shareholders and for other stakeholders. In order to maintain or achieve an appropriate capital structure, the Company may issue new shares or reduce its share capital, subject to the provisions of the Company's Constitution.

20. RETAINED EARNINGS AND RESERVES

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
(a) Movements in retained earnings were as follows:				
Balance at 1 July	3,967,224	13,883,872	20,337,565	25,547,101
Net loss for the period	(6,948,496)	(9,916,648)	(482,035)	(5,209,536)
Balance at 30 June	(2,981,272)	3,967,224	19,855,530	20,337,565
(b) Reserves				
Asset revaluation reserve (i)	734,407	734,407	734,407	734,407
Option reserve (ii)	19	19	19	19
Contributed capital of associate reserve (iii)	1,180,872	1,053,119	-	-
Net unrealised gains reserve (iv)	159,667	527,707	-	-
Employee equity benefits reserve (v)	1,524,450	1,264,570	1,524,450	1,264,570
Equity reserve attributable to parent (vi)	(7,172,143)	(7,172,143)	-	-
Total reserves	(3,572,728)	(3,592,321)	2,258,876	1,998,996

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

20. RETAINED EARNINGS AND RESERVES (CONTINUED)

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
(b) Reserves (continued)				
(i) Movement in asset revaluation reserve:				
Opening and closing balance	734,407	734,407	734,407	734,407
(ii) Movement in option reserve:				
Opening and closing balance	19	19	19	19
(iii) Movement in contributed capital of associate reserve:				
Opening balance	1,053,119	1,007,683	-	-
Investment in associate (note 13)				
– Gain on new share issue by associate	114,975	-	-	-
– Share of movement in equity reserve	12,778	45,436	-	-
Closing balance	1,180,872	1,053,119	-	-
(iv) Movement in net unrealised gains reserve:				
Opening balance	527,707	2,849,426	-	-
– Net gains/(losses) on non-current listed investments for the period	82,287	(2,958,934)	-	-
– Tax effect on above net losses (note 9)	-	559,254	-	-
– Share of associate's net unrealised loss	(450,327)	(500,411)	-	-
Net losses on non-current listed investments for the period after tax	(368,040)	(2,900,091)	-	-
– Realised losses/(gains) on non-current listed investments transferred to profit or loss	-	404,114	-	-
– Tax effect on above realised losses/gains	-	(122,396)	-	-
Net unrealised losses/(gains) transferred to profit or loss	-	281,718	-	-
– Unrealised impairment losses recognised in profit or loss	-	437,590	-	-
– Tax effect on above unrealised impairment loss	-	(140,936)	-	-
Net realised impairment losses recognised in profit or loss	-	296,654	-	-
Closing balance	159,667	527,707	-	-
(v) Movement in employee equity benefits reserve:				
Opening balance	1,264,570	1,020,539	1,264,570	1,020,539
Share based payments expense (note 8(d))	259,880	244,031	259,880	244,031
Closing balance	1,524,450	1,264,570	1,524,450	1,264,570
(vi) Movement in equity reserve attributable to parent:				
Opening balance	(7,172,143)	(5,238,453)	-	-
Premium paid on acquisition of non-controlling interest in subsidiary (note 21(b))	-	(1,933,690)	-	-
	(7,172,143)	(7,172,143)	-	-

(vii) Nature and purpose of reserves:

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

Option reserve

This reserve is used to record the consideration received for options granted to executives and employees as part of their remuneration.

Contributed capital of associate reserve

This reserve is used to record the Group's equity accounting of share issues by its associated entities.

Net unrealised gains reserve

This reserve records fair value changes on listed investments (other than investment in listed associate) and the Group's equity share of its associates's listed investments.

Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided to executives and employees as part of their remuneration. Refer to note 26 for further details on the equity benefit plans.

Equity reserve attributable to parent

This reserve recognises the non-controlling interests' share of the change in the net assets of Vegenics on new investments (capital injections) made by the parent in Vegenics, which are offset by the relevant effect of additional investments made by non-controlling interests. The premium paid by Circadian on acquisition of the balance of Vegenics' non-controlling interests is also recognised in this account (also see note 21(b)).

21. NON-CONTROLLING INTERESTS

	Consolidated	
	2010 \$	2009 \$
(a) Balance of non-controlling interests		
At balance date, the non-controlling interests in the Group comprised:		
Share of contributed equity:	-	280,084
Share of accumulated losses:	-	(255,862)
	-	24,222

The balance at 30 June 2009 represents the non-controlling interest (40%) in CancerProbe Pty Ltd. The remaining 60% of the issued share capital was owned by Fibre Optics (Aust) Pty Ltd, which is a fully owned subsidiary of the parent entity. On 5 August 2009, Fibre Optics entered into a legally binding agreement with CancerProbe Pty Ltd to execute a share buy-back for the shares held by Fibre Optics.

(b) Acquisition of non-controlling interests

Circadian completed its acquisition of the Ludwig Institute for Cancer Research Limited's (LICR) and Licentia Limited's (Licentia) combined 33% interest in Vegenics on 14 August 2008. This increased Circadian's interest in Vegenics from 67% to 100%.

The total consideration paid for the acquisition of the non-controlling interests was \$5,886,389 which comprised the payment of cash and the issue of 5,117,430 ordinary shares in Circadian with a further 1,155,000 shares to be issued on the earlier to occur of certain product development milestones or the second anniversary of the date of Circadian's acquisition of LICR's and Licentia's interests in Vegenics (i.e. 14 August 2010). The fair value of each share was 83 cents, based on the quoted (bid) price of the shares of Circadian at the date of the transaction.

Details of the transaction are as follows:

	Consolidated	
	2010 \$	2009 \$
Consideration:		
Issue of 5,117,430 ordinary shares – at fair value	-	4,247,467
Deferred issue of 1,155,000 ordinary shares – at fair value	-	958,650
	-	5,206,117
Cash	-	680,272
Total consideration	-	5,886,389
Non-controlling interest in Vegenics acquired	-	(3,952,699)
Premium paid on acquisition (i)	-	1,933,690

(i) This premium is reflected on consolidation through the equity reserve attributable to the parent. See note 20(b)(vi).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

22. CASH FLOW STATEMENT RECONCILIATION

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
(a) Reconciliation of net loss after tax to net cash flows from operations				
Net loss	(6,948,240)	(9,921,670)	(482,035)	(5,209,536)
Add items classified as operating activities:				
Proceeds on disposal of subsidiary	50,615	-	-	-
Adjustments for:				
Depreciation	28,589	34,068	25,311	30,757
Net loss on disposal of non-current assets	1,167	-	1,167	-
Net profit on disposal of investments	(13,899)	(61,108)	-	-
Gain on cessation of equity accounting	(2,839,768)	-	-	-
Employee benefits expense	259,880	244,031	259,880	244,031
Share of associates' net losses	20,441	604,399	-	-
Interest income from subsidiaries	-	-	(350,597)	(334,738)
Distributions to subsidiaries	-	-	-	289,115
Write-down of receivables from subsidiaries	-	-	22,951	1,000,049
Impairment of investments in subsidiaries	-	-	374,101	3,433,368
Interest expense on loans from subsidiaries	-	-	184,593	170,267
Impairment losses on non-current financial investments	1,793,554	437,590	-	-
Write (back)/down of loan to associate	(629,987)	45,000	(629,987)	45,000
Net exchange differences	(16,513)	50,830	-	-
Changes in assets and liabilities:				
(Increase)/decrease in financial investments	136,470	1,088,833	-	-
(Increase)/decrease in prepayments	41,401	210,314	2,363	(32,744)
(Increase)/decrease in interest receivable	(3,005)	199,536	(12,852)	163,110
(Increase)/decrease in other receivables	119,315	(137,000)	(86,505)	(520,735)
(Decrease)/increase in payables	348,522	472,689	164,282	152,376
(Decrease)/increase in employee provisions	(952)	77,234	(952)	88,604
(Increase)/decrease in deferred tax assets	107,745	265,457	(9,139)	77,527
(Decrease)/increase in deferred tax liabilities	1,757	(199,358)	3,132	(35,349)
Net cash used in operating activities	(7,542,908)	(6,589,155)	(534,287)	(438,898)
(b) Non-cash financing and investing activities				
Settlement (part consideration) of acquisition of non-controlling interests in subsidiary (note 21)	-	5,206,117	-	5,206,117
Share-based payments expense (note 26)	259,880	244,031	259,880	244,031
	259,880	5,450,148	259,880	5,450,148
(c) Disclosure of investing activities				

Refer to notes 13 and 24.

23. INTERESTS IN JOINT VENTURE OPERATIONS

Parties	Pharmaceutical Research and Development Project	Share of Project Income (a)		Loss Contributed (b)	
		2010 %	2009 %	2010 \$	2009 \$
Neuro Therapeutics Ltd and Monash University (d)	Anti-Allergy Asthma	67.5	67.5	-	-
	Analgesics Compound	85.7	85.7	-	1,018
Neuro Therapeutics Ltd and University of Sydney (d)	Memory Enhancement	60	60	-	27,630
Neuro Therapeutics Ltd and University of Melbourne (d)	Alzheimer's Disease Research	100	100	-	1,268
Neuro Therapeutics Ltd and Howard Florey Institute (d)	Paracetamol	50	50	-	23,165
Polychip Pharmaceuticals Pty Ltd and Monash University	Dicarba Analogues	50	50	-	101,713
Cancer Therapeutics Ltd and Monash University	Peptide-Based Cancer Vaccine	75	75	39,038	849,237
Other non-joint venture research project costs (c)				4,256,296	3,479,407
				4,295,334	4,483,438

(a) There was no project income in the current year or in the prior year from any of the joint venture projects.

(b) These amounts represent the Company's, or controlled entities', share of the research and development costs incurred and expensed on a project.

(c) The other non-joint venture research project costs predominantly relate to the development programs in respect to the Vascular Endothelial Growth Factors (VEGF) based therapeutics.

(d) Funding of research projects in the neuroscience research portfolio concluded in the 2009 financial year. As a consequence of Circadian's strategic focus now being the development of biological therapies to treat cancer, the Company has either returned or is in the process of returning the intellectual property rights in respect to these projects to the relevant universities and institutes.

There are no expenditure commitments relating to joint venture research projects in the current or prior year.

The consolidated entity has nil assets in the financial statements employed in the joint ventures.

There were no impairment losses in the assets employed in the joint venture operations.

24. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Circadian and the subsidiaries listed in the following table:

Name of company	Book value of parent entity investment and % equity interest			
	2010		2009	
	\$	%	\$	%
Circadian Pharmaceuticals (Aust) Pty Ltd	-	100	-	100
Precision Patchclamps (Int) Pty Ltd	-	100	-	100
Polychip Pharmaceuticals Pty Ltd	2,121,620	100	2,179,253	100
Fibre Optics (Aust) Pty Ltd	2,415,737	100	2,540,282	100
Cancer Therapeutics Limited	-	100	39,217	100
Neuro Therapeutics Limited	-	100	-	100
Vegenics Limited	27,451,308	100	27,386,389	100
CancerProbe Pty Ltd	-	-	-	60
	31,988,665		32,145,141	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

24. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Subsidiaries (continued)

Circadian is the ultimate parent entity.

All subsidiaries were incorporated in Australia and have the same financial year as Circadian.

As at 30 June 2010, the above subsidiaries were reviewed to determine whether the investment values held by the Company were impaired. As a result of this exercise, an impairment of \$374,101 (2009: \$3,433,368) was recognised in profit or loss during the 2010 financial year.

In undertaking the impairment test with respect to the investment in Vegenics, the Company assessed progress of the research and development activities against the milestones established for these activities. Provided the development milestones are being achieved, or in the Company's opinion are likely to be achieved, in the time-frames expected, the Company does not consider its investment is impaired. A detailed summary of progress of the Group's research and development activities and discussion of milestones achieved and those expected over the next 12–24 months is contained within the Operations Report.

(b) Transactions with related parties

- (i) Loans receivable from subsidiaries of \$3,998,747 (2009: Nil) are non-interest bearing, stated at the lower of amortised value and recoverable value, are unsecured and have no fixed terms of repayment of principal (although repayment is not expected within a year). Evidence of impairment of an investment in or a receivable from a subsidiary is when the net assets of the relevant subsidiary are lower than the relevant investment or receivable.

Interest of \$350,597 (2009: \$334,738) was incurred by the subsidiaries for the year due to the discounting of the loans and use of the effective interest method in accordance with AASB139: *Financial Instruments: Recognition and Measurement* (see note 2(f)).

Syngene Limited, an associated entity fully repaid the loan of \$629,987 on 21 May 2010. This amount which has been fully impaired in the prior periods was reversed and recognised in profit or loss in the current period. See note 8(a)(i).

The amounts are owed by the following companies (stated at the lower of amortised value and recoverable amount):

	2010 \$	2009 \$
Subsidiaries		
Vegenics Limited	3,998,747	-

The loan which has been advanced to Vegenics Limited during the year was used for working capital purposes and predominantly for the funding of research and development activities. The directors have provided assurance that the loan provided will not be recalled until there is evidence that the entity has sufficient cash to repay this loan in the future.

The loans which have been provided to Cancer Therapeutics Limited and Neuro Therapeutics Limited have nil recoverable value. The amortised value of the loans to Cancer Therapeutics Limited was \$3,474,022 (2009: \$3,467,750), of which \$6,272 was written off and impaired in 2010 (2009: \$851,558). The amortised value of the loans to Neuro Theapeutics Limited was \$2,399,545 (2009: \$2,382,867), of which \$16,678 was written off and impaired (2009: \$148,491). Refer to note 8(a).

- (ii) The amortised value of the loans payable to subsidiaries of \$3,418,999 (2009: \$3,284,979) are non-interest bearing, unsecured and have no fixed terms of repayment of principal (repayments are not expected within the next year, however, as the parent funds the activities of its wholly-owned subsidiaries, the loan from subsidiaries will be reduced by these amounts). Interest of \$184,593 was incurred by the parent during the year (2009: \$170,267) due to the discounting of the loans and use of the effective interest method in accordance with AASB139: *Financial Instruments: Recognition and Measurement* (see note 2(t)).

The amounts are owed to the following companies:

	2010 \$	2009 \$
Subsidiaries		
Precision Patchclamps (Int) Pty Ltd	67,558	67,558
Circadian Pharmaceuticals (Aust) Pty Ltd	88,251	88,251
Polychip Pharmaceuticals Pty Ltd	1,081,050	982,983
Fibre Optics (Aust) Pty Ltd	2,182,140	2,146,187
	3,418,999	3,284,979

(iii) In accordance with a management services agreement between Circadian and Vegenics Limited, Circadian charged Vegenics \$2,520,000, (2009: \$2,025,600) for the provision of management and related support services by Circadian. See note 12(i) for further details.

(iv) For details of Director Related Party Transactions refer to note 25(e) (iii).

25. KEY MANAGEMENT PERSONNEL

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
(a) Compensation of Key Management Personnel				
Short-term employee benefits	1,725,170	1,668,546	1,725,170	1,668,546
Post employment benefits	137,823	150,169	137,823	150,169
Long-term benefits	45,751	7,104	45,751	7,104
Share-based payments expense	204,287	212,673	204,287	212,673
Total compensation	2,113,031	2,038,492	2,113,031	2,038,492

Details of the key management personnel are included within the Remuneration Report section of the Directors' Report.

(b) Option holdings of Key Management Personnel (Consolidated)

		Balance at beginning of period 1 July	Granted as remuneration	Options exercised	Net change other	Balance at end of period 30 June	Exercisable (i.e. vested)	Not exercisable* (i.e. not vested)
Executive Directors								
R. Klupacs	2010	1,000,000	-	-	-	1,000,000	-	1,000,000
	2009	1,000,000	-	-	-	1,000,000	-	1,000,000
Other Executives								
N. Korchev ¹	2010	350,000	-	-	(117,846)	232,154	-	232,154
	2009	175,000	200,000	-	(25,000)	350,000	-	350,000
A. Szabo	2010	250,000	-	-	-	250,000	-	250,000
	2009	-	250,000	-	-	250,000	-	250,000
M. Sullivan ²	2010	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-
R. Chadwick	2010	160,000	-	-	-	160,000	-	160,000
	2009	-	160,000	-	-	160,000	-	160,000
Total	2010	1,760,000	-	-	(117,846)	1,642,154	-	1,642,154
	2009	1,175,000	610,000	-	(25,000)	1,760,000	-	1,760,000

*These options have not legally vested. Vested options, which must achieve share price hurdles in order to vest, will only become exercisable in 2011 (for options issued in 2008 and 2007) and 2012 (for options issued in 2009). There were no options granted during the current financial period.

1 N. Korchev resigned from Circadian on 14 May 2010. In accordance with the Senior Executive Management Plan her options entitlement has been calculated on a pro-rata basis and the balance of options are forfeited.

2 M. Sullivan was appointed 17 August 2009. No options have been granted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

25. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shareholdings of Key Management Personnel (Consolidated)

Ordinary shares held in Circadian (number)

		Balance at beginning of period 1 July	Granted as remuneration	On exercise of options	Net change other	Balance at end of period 30 June
Directors						
R. Klupacs	2010	85,481	-	-	39,000	124,481
	2009	58,215	-	-	27,266	85,481
D. Fisher	2010	117,500	-	-	-	117,500
	2009	67,500	-	-	50,000	117,500
D. Clarke	2010	80,000	-	-	-	80,000
	2009	80,000	-	-	-	80,000
T. McMeckan	2010	20,000	-	-	10,000	30,000
	2009	20,000	-	-	-	20,000
C. Montagner	2010	-	-	-	22,058	22,058
	2009	-	-	-	-	-
J. Skipper	2010	-	-	-	-	-
	2009	-	-	-	-	-
J. Stocker ¹	2010	-	-	-	-	-
	2009	282,334	-	-	(282,334)	-
E. Malta ²	2010	-	-	-	50,000	50,000
	2009	-	-	-	-	-
Executives						
N. Korchev ³	2010	5,750	-	-	10,000	15,750
	2009	-	-	-	5,750	5,750
A. Szabo	2010	-	-	-	-	-
	2009	-	-	-	-	-
M. Sullivan ⁴	2010	-	-	-	-	-
	2009	-	-	-	-	-
R. Chadwick	2010	-	-	-	-	-
	2009	-	-	-	-	-
Total	2010	308,731	-	-	131,058	439,789
	2009	508,049	-	-	(199,318)	308,731

1 J. Stocker resigned as non-executive director of Circadian on 14 November 2008. On date of resignation, he held 282,334 shares in Circadian.

2 E. Malta was appointed to the Board on 20 August 2009.

3 N. Korchev resigned as Chief Financial Officer and Head of Operations on 14 May 2010. On date of resignation, she held 15,750 shares in Circadian.

4 M. Sullivan was appointed 17 August 2009.

Any equity transactions by key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more or no less favourable than those they would have adopted if dealing at arm's length, that is, they are on-market transactions.

(d) Loans to Key Management Personnel (Consolidated)

There were no loans to key management personnel during the current financial year and the previous financial year.

(e) Other transactions and balances with key management personnel and their related parties

Director related party transactions:

Purchases

- (i) During the year, Circadian paid \$46,000 (2009: \$40,500) in donations to the Ludwig Institute of Cancer Research Ltd (LICR). Dr Jonathan Skipper, a non-executive director of Circadian, is an executive officer of LICR.
- (ii) Laboratory costs totalling \$46,800 (2009: \$27,300) were incurred during the year by Vegenics Limited for facilities provided by LICR.
- (iii) Legal fees, including miscellaneous expenses, totalling \$140,129 (2009: \$109,664) were incurred during the year by the Group for services provided by the legal firm of Minter Ellison of which Don Clarke, a director of the Company, is a partner. These legal fees were charged at commercial rates.

Amounts recognised at the reporting date in relation to director related entity transactions:

	2010 \$	2009 \$
Assets and liabilities:		
Current assets	-	-
Non-current assets	-	-
	-	-
Current liabilities		
Payables	29,427	12,962
Non-current liabilities	-	-
	29,427	12,962
Revenues and expenses:		
Administrative expenses	186,129	150,164
Research & development expenses	46,800	27,300
	232,929	177,464

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

26. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Expense arising from equity-settled share-based payment transactions (note 8(d))	259,880	244,031	259,880	244,031

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2010 and 2009.

(b) Types of share-based payment plans

Options

Share options are granted to executive directors and certain employees. There were no options issued to executives and senior management during the current financial year ended 30 June 2010.

In valuing transactions settled by way of issue of options, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Circadian. All options issued have market performance conditions so as to align shareholder return and reward for the Company's key management personnel.

Options issued in 2004

With respect to the options issued in the 2004 financial year, the exercise prices were set at substantially higher prices than the Company's share price at grant date.

The contractual life of each option granted was five years and there were no cash settlement alternatives. The options were not exercised and expired in September 2008.

Options issued in financial years 2007 to 2009

In January 2007, a Circadian Senior Management Option Plan (Option Plan) was implemented to offer options which are subject to performance hurdles. This replaced the Circadian Executive Performance Rights Plan. The options issued to employees (including senior executives) in 2007, 2008, and 2009 pursuant to this Option Plan were divided equally into three tranches.

The number of options in each tranche will vest on the satisfaction of the following performance conditions during the relevant option period (2007 options within five years of grant date; 2008, 2009 and 2010 options within approximately four years of grant date).

The 2007 options issued have an exercise price of \$1.50; the 2008 options issued have an exercise price of \$1.30, and the 2009 options have an exercise price of \$1.00.

Performance Hurdles

Tranche 1 – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price;

Tranche 2 – the Share Price achieves not less than 150% of the Exercise Price; and

Tranche 3 – the Share Price achieves not less than 175% of the Exercise Price.

The Share Price is to be calculated as the volume weighted average share price of Circadian shares traded on the ASX over a consecutive 15 day trading period.

Vested options may only be exercised at any time in the last 12 months of the relevant option period.

The Exercise Price is subject to any adjustment which is required under the ASX Listing Rules as a consequence of a capital reorganisation or a pro-rata rights issue of shares which occurs after the grant of the options but prior to the exercise of the options.

The Board has residual discretion to accelerate vesting (i.e. reduce or waive the Performance Hurdles) and exercise options in the event of a takeover or merger or any other circumstance in accordance with the terms of the Option Plan.

Options in relation to which performance conditions have not been satisfied (i.e. that do not vest) will lapse and will not be able to be exercised, except in circumstances as described below.

Options which have not vested will lapse where an option holder ceases employment with Circadian other than on retirement, redundancy, death or total and permanent disablement, or unless as otherwise determined by the Board in its absolute discretion.

Where an option holder has ceased employment with Circadian as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period but not before the first anniversary or grant date, options (whether vested or not), may be retained by the option holder on a pro-rata basis (the pro-rata being calculated over the period from grant date).

(c) Summary of options granted

The following table illustrates the number and movements in share options during the current year:

2010

Date of issue	26/06/2009 (ii)	15/12/2008 (ii)	15/09/2008 (ii)	18/02/2008 (ii)	9/03/2007 (ii)	8/02/2007 (ii)	25/09/2003 (ii)
On issue at the beginning of the year	100,000	100,000	985,000	500,000	120,000	1,400,000	-
Granted during the year	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-
Forfeited during the year	-	-	(103,333)	-	(20,695)	(32,306)	-
Outstanding at the end of the year	100,000	100,000	881,667	500,000	99,305	1,367,694	-

2009

On issue at the beginning of the year	-	-	-	500,000	120,000	1,400,000	550,000
Granted during the year	100,000	100,000	985,000	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	(550,000)
Outstanding at the end of the year	100,000	100,000	985,000	500,000	120,000	1,400,000	-
Exercisable at end of the year	-	-	-	-	-	-	-
Number of recipients	2	1	8	1	4	4	3
Exercise price	\$1.00	\$1.00	\$1.00	\$1.30	\$1.50	\$1.50	(i)
Exercise period from	26/06/12	15/12/11	15/09/11	8/02/11	9/03/11	8/02/11	25/09/03
To (Expiration day)	26/06/13	15/12/12	15/09/12	8/02/12	9/03/12	8/02/12	25/09/08

(i) The exercise price on options issued was as follows:

- 1/3 options exercisable at \$2.62 per share
- 1/3 options exercisable at \$2.87 per share
- 1/3 options exercisable at \$3.12 per share

(ii) Refer to note (b) above for a summary of the options granted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

26. SHARE-BASED PAYMENT PLANS (CONTINUED)

(d) Option pricing models for options granted

The following assumptions were used to derive a value for the options granted using the model as specified below as at the grant date, taking into account the terms and conditions upon which the options were granted.

Issue date of options	26/06/09	15/12/08	15/09/08	18/02/08	5/03/07	8/02/07	25/09/03
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.04%
Expected annual volatility	45.0%	45.0%	45.0%	37.5%	37.5%	37.5%	45.0%
Risk-free interest rate (p.a)	5.08%	3.73%	5.43%	6.54%	5.79%	5.99%	5.41%
Expected life of option (years)	3.5	3.5	3.5	3.5	4.5	4.5	5.0
Fair value per option	20.96 cents	11.28 cents	27.99 cents	24.64 cents	41.01 cents	67.45 cents	68.00 cents
	-21.97 cents	-12.06 cents	-29.14 cents	-27.62 cents	-43.34 cents	-68.56 cents	-78.00 cents
Exercise price per option	\$1.00	\$1.00	\$1.00	\$1.30	\$1.50	\$1.50	*\$3.00
							-\$3.50
Share price at grant date	\$0.745	\$0.58	\$0.85	\$1.025	\$1.27	\$1.61	\$2.25
Model used	Monte Carlo	Monte Carlo	Monte Carlo	Hull Model [^]	Monte Carlo	Monte Carlo	Binomial

*The exercise prices per option on date of grant were \$3.00 to \$3.50, however, the exercise price had reduced by 38 cents per option as a result of a return of capital to shareholders (38 cents per share) in October 2004. The adjusted exercise price per option is detailed in (c)(i) above.

[^]The Hull Model is a barrier option model which is derived using a closed-form formula not dissimilar to the Black-Scholes formula.

With respect to the expected life of the options, for the options granted in 2003, this was determined as being the number of years from grant date to expiration. For the options issued, from 2007 to 2010, this life was based on the assumed exercise behaviour which calculates the effect of an early exercise of the option into the expected life. These estimates may not be indicative of the exercise pattern which may occur.

The expected volatility is calculated using historic share returns. These periods differed in each financial year. For those options granted in 2010 and 2009, this was a period of two years, 2008 was for a period of three years and 2003 for one year. This basis assumes that the historical volatility is indicative of future market trends which may not be the case.

Options in Circadian are not listed and as such, do not have an externally verifiable price.

27. COMMITMENTS

(i) Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for the office premises. An extension to the lease was signed in June 2008. Subsequently the lease was extended to June 2012, however the tenancy may be terminated at any time by the lessee giving to the lessor not less than six months notice of that termination. The following commitment assumes that the tenancy will be occupied for the full two year extension. If notice was to have been given at 30 June 2010, the commitment for six months rent would have amounted to \$55,840 (2009: \$50,648).

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Within one year	96,687	87,698	96,687	87,698
After one year but not more than five years	111,680	-	111,680	-
	208,367	87,698	208,367	87,698

(ii) Research projects and license commitments

The Group has entered into research and development and intellectual property license agreements with various parties (refer to note 23 for details of some of the projects). Expenditure commitments relating to these are payable as follows:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Within one year	3,312,359	2,991,354	-	-
After one year but not more than five years	946,437	1,324,838	-	-
After more than five years	233,454	250,910	-	-
	4,492,250	4,567,102	-	-

28. CONTINGENCIES

- (i) Vegenics Limited, a subsidiary of Circadian, is a party to various research agreements with respect to which a commitment to pay is contingent on the achievement of research milestones. Assuming all milestones are achieved within the timeframes stipulated in the contracts, those which could become payable in less than one year total \$100,000 (2009: Nil) and those which could become payable in more than one year total nil (2009: \$100,000).

Further, under license/collaboration agreements with three third parties, payments are to be made only if certain research and clinical development milestones are achieved and royalties may become payable on any eventual sales of products developed under these agreements.

- (ii) Remuneration contingent liability – refer to “Employment contracts” in the Remuneration Report of the Director’s Report with respect to payments in lieu of notice where either the Managing Director resigns or the Company terminates his employment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

29. EVENTS AFTER THE BALANCE SHEET DATE

Circadian issued 1,155,000 shares to Ludwig Institute of Cancer Research Ltd (LICR) and Licentia Limited (Licentia) on 16 August 2010, to fully complete the acquisition of the remaining 33% of Vegenics as per the agreement on 14 August 2008. The 1,155,000 shares issued represented the final parcel of shares to be issued to LICR and Licentia. Also as per the agreement, 5,117,430 shares were to be escrowed, 50% for 12 months and 50% for 24 months. The initial 50% of the shares were released from escrow on 14 August 2009. The final portion of tranche 1 shares (2,558,117 shares) were released from escrow on 14 August 2010.

30. AUDITORS' REMUNERATION

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
The auditor of Circadian is Ernst & Young.				
Amounts received or due and receivable by Ernst & Young (Australia) for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated group	97,026	96,805	65,580	64,412
– other services in relation to the entity and any other entity in the consolidated group				
– tax compliance	15,000	28,310	15,000	19,230
– other tax services	13,870	23,810	9,270	18,130
– assurance related	-	13,956	-	13,956
	125,896	162,881	89,850	115,728

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Circadian, we state that:

1. In the opinion of the directors:

- (a) the financial report, and the remuneration report included in the Directors' Report of the Company and of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, *Corporations Regulations 2001*, and International Financial Reporting Standards (IFRS) as disclosed in note 2(a) of the financial statements; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2010.

For and on behalf of the Board:



Robert Klupacs
Director



Dominique Fisher
Director

Melbourne
19 August 2010

Independent auditor's report to the members of Circadian Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Circadian Technologies Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

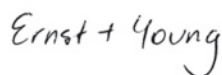
1. the financial report of Circadian Technologies Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of Circadian Technologies Limited and the consolidated entity at 30 June 2010 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 25 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Circadian Technologies Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of Joanne Lonergan.

Joanne Lonergan
Partner
Melbourne
19 August 2010

ASX ADDITIONAL INFORMATION

1. DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, of quoted fully paid ordinary shares as at 6 September 2010 is as follows:

Category	Fully Paid Ordinary Shares	
	No. of Holders	No. of Shares
1–1,000	1,187	786,367
1,001–5,000	1,568	4,282,389
5,001–10,000	417	3,307,052
10,001–100,000	327	8,756,818
100,001 and over	33	29,264,297
	3,532	46,396,923

The number of shareholders holding less than a marketable parcel of shares: 680 283,674

2. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted fully paid ordinary shares and their respective holdings as at 6 September 2010 are:

Rank	Name	No. of Shares	% Interest
1.	HSBC Custody Nominees (Australia) Limited	8,504,460	18.33
2.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	3,768,181	8.12
3.	Licentia Limited	3,150,340	6.79
4.	Ludwig Institute for Cancer Research Limited	3,122,090	6.73
5.	Cogent Nominees Pty Limited	1,785,155	3.85
6.	Capital Macquarie Pty Limited	1,377,360	2.97
7.	Chemical Trustee Limited	1,158,108	2.50
8.	JFF Steven Pty Limited	714,867	1.54
9.	Primdonn Nominees Pty Limited	650,000	1.40
10.	Traders Macquarie Pty Limited	647,972	1.40
11.	Mr Eric Lucas	354,036	0.76
12.	Bond Street Custodians Limited <PGG – V04243 A/C>	282,334	0.61
13.	Piat Corp Pty Limited	260,000	0.56
14.	Mr David John Massey <The D J Massey Super A/C>	242,730	0.52
15.	Toltec Holdings Pty Limited	230,000	0.50
16.	Denvor Corp Holdings Pty Limited <IRD Superannuation Fund A/C>	228,621	0.49
17.	Philadelphia Investments Pty Limited	218,950	0.47
18.	Mr Raymond Leslie Martin	215,000	0.46
19.	ETR Nominees Pty Limited <Asandas WA 7002356 A/C>	200,000	0.43
20.	Lorking Pty Limited	190,000	0.41
Totals		27,300,204	58.84

3. SUBSTANTIAL SHAREHOLDERS

The following information is current at 6 September 2010 based on information extracted from substantial shareholding notices given to the Company by shareholders who hold relevant interests in more than 5% of the Company's voting shares:

	No. of Shares
Packer & Co Limited <Packer & Co Investigator Trust>	7,724,421
Licentia Limited	3,150,340
Ludwig Institute for Cancer Research Limited	3,122,090
Select Asset Management Limited	2,364,401

4. VOTING RIGHTS

Clauses 44 to 53 of the Company's Constitution stipulate the voting rights of members. In summary, but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for each ordinary share held by the member.

The Company's shares are quoted on the Australian Securities Exchange Limited (ASX code: CIR).

CORPORATE INFORMATION

Company	Circadian Technologies Limited ABN 32 006 340 567
Directors	Dominique Fisher, BA(Hons), MAICD (Chairman) Robert Klupacs, BSc(Hons), Grad Dip IP Law, MAIPA (Managing Director and Chief Executive Officer) Don Clarke, LLB(Hons) Tina McMeckan, BLibArts&Sc, MBA, FAICD Errol Malta, BSc(Hons), PhD (Pharmacology) Carlo Montagner, BSc, MSc, Grad Dip Child Psychology Jonathan Skipper, PhD
Company Secretary	Susan Madden, BBus, CPA
Registered Office	Level 1, 10 Wallace Avenue, Toorak, Victoria 3142
Principal Administrative Office	Level 1, 10 Wallace Avenue, Toorak, Victoria 3142 Telephone: +61 (3) 9826 0399 Facsimile: +61 (3) 9824 0083
Bankers	Commonwealth Bank of Australia, Melbourne, Victoria
Auditors	Ernst & Young, 8 Exhibition Street, Melbourne, Victoria 3000
Solicitors	Minter Ellison, Rialto Towers, Level 23, 525 Collins Street, Melbourne, Victoria 3000
Share Register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Telephone: +61 (3) 9415 4000 or 1300 850 505 (within Australia)
Stock Exchange Listing	Circadian Technologies Limited's shares are quoted on the Australian Securities Exchange Limited ASX (code: CIR)

