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CEO on First Phase I Clinical Trial of IMC - 3C5

Open Briefing with CEO & MD Robert Klupacs

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In this Open Briefing®, CEO & MD Robert Klupacs discusses

- **First Phase I clinical trial of VEGFR-3 antibody IMC-3C5**
- **ImClone expected to complete trial in 15-18 months**
- **Phase I trial for VGX-100 on track for 4Q FY2011.**

Open Briefing interview:

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Circadian Technologies Limited (ASX: CIR) recently announced that its licensee, ImClone Systems, a wholly owned subsidiary of Eli Lilly and Company, had commenced the first Phase I clinical trial of its VEGFR-3 antibody IMC-3C5. What is the significance of the commencement of human clinical trials of IMC-3C5 for your drug development program?

CEO & MD Robert Klupacs
Drug development can be risky with a lot a lot of attrition from research, to clinical trials, to final product approval. The fact that this program has progressed from very early stage discovery within ImClone to clinical trial is a very important milestone.

ImClone is a 100 percent owned subsidiary of Eli Lilly, which has a market capitalisation of about US$40 billion and is one of the world's largest pharmaceutical companies. It's a significant endorsement that a major company is interested in the VEGFR-3 pathway as a target for angiogenesis and its role in cancer. It highlights that monoclonal antibody mediation of this pathway could be a very important potential new therapeutic paradigm.

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What is the expected timeframe for progressing human clinical trials of IMC-3C5? What key milestones do you expect to achieve?

CEO & MD Robert Klupacs
Phase I studies are designed to assess safety and determine acceptable dose levels for Phase II studies. While they're not designed to look at efficacy measures, we hope to see some early

indications of potential efficacy in the late stage patients. Phase I studies usually take between 15 to 18 months and we expect ImClone to complete the trial in that time frame.

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Circadian will receive royalties on the sale of a VEGFR-3 antibody product if it successfully comes to market. Can you outline the details of the licensing agreement as well as its potential contribution to revenue?

CEO & MD Robert Klupacs
Due to the confidential nature of the agreement we can't go into specific detail but as we've mentioned to the market before, we receive significant six-figure annual payments from ImClone, and we'll receive royalties based on a mid single digit percentage of sales.

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Royalty and licence fee income was $64,733 in the six months to December 2010, down from $99,629 in the previous corresponding period (pcp). How is royalty and licence fee income expected to trend over CY2011 and beyond?

CEO & MD Robert Klupacs
We receive most of our royalties in the second half of the calendar year and the differences on a pcp comparative basis are due primarily to exchange rate fluctuations. We don't consider this a major issue and expect for financial year 2011 that total royalty income, assuming exchange rates stay where they are, will be in the range of $600,000 to $650,000. We are expecting our royalties to increase in financial year 2012 and beyond.

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You plan to commence in-house Phase 1 trials of your most advanced cancer molecule, the VEGF-C inhibitor VGX-100, in the 4Q of FY2011. Are these plans on track and when do you expect to complete Phase 1 trials?

CEO & MD Robert Klupacs
Our plans remain on track and in the next couple of months we'll be providing a more complete update. We remain very excited by the potential of VGX-100 in cancer as demonstrated by some of the positive data we published recently at the American Association of Cancer Research's annual meeting. As with ImClone, we're expecting to complete the Phase I trials in a 12 to 18 month period.

The trials are very likely to be conducted in the US, primarily because of patient recruitment issues: we can conduct the trials twice as fast there compared with Australia, and with the strong Australian dollar, costs are similar.

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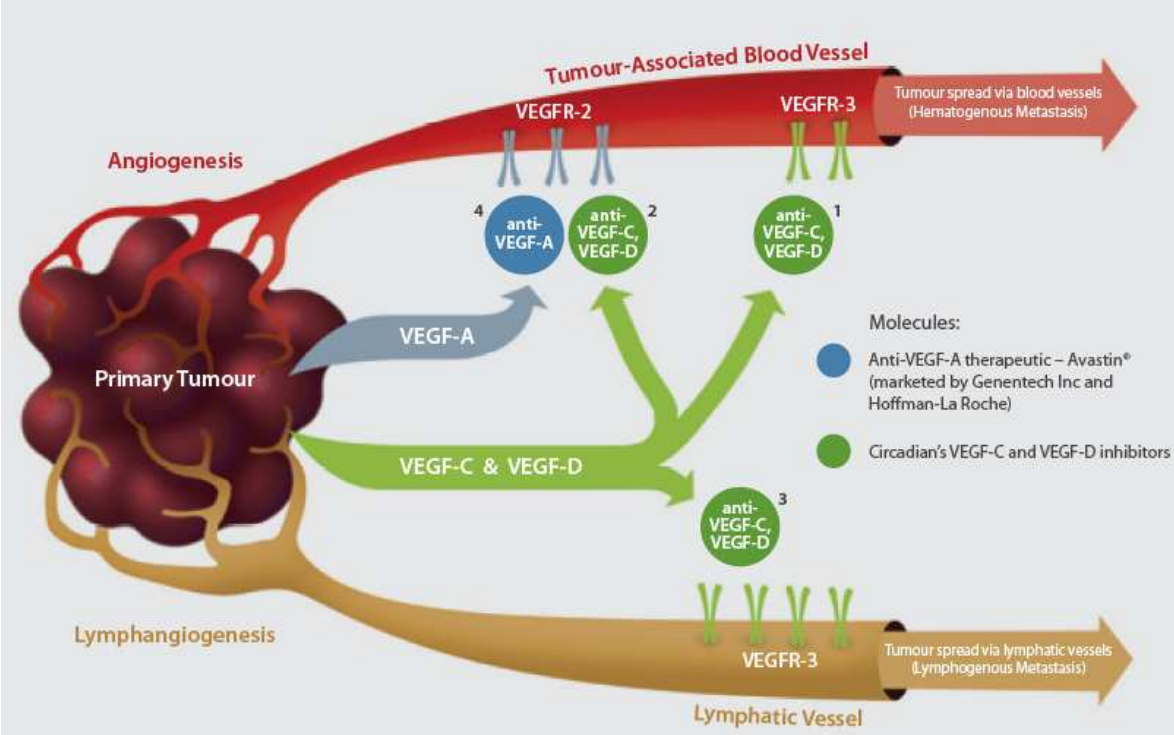
What is the rationale for keeping the VEGF-C program in house versus licensing the VEGFR-3 antibody development to ImClone?

CEO & MD Robert Klupacs
The agreement on IMC-3C5 was in place with ImClone before we changed our strategic focus to drug development.

Our in-house VEGF-C program with VGX-100 targets the same area as ImClone but our approach is different. ImClone has the view that blocking the receptor is the key to fighting cancer whereas our approach is based on blocking the interaction of VEGF-C with the receptor.

We believe our approach is broader as the protein can act on two receptors: not just VEGFR-3 but also on VEGFR-2. ImClone's approach focuses on simply blocking VEGFR-3.

We won't know the effectiveness of either approach until the clinical trials are completed, but the collaboration with ImClone gives us a second chance if our approach is not effective. It's also highly likely that there will be some cancers where our approach is better and others where ImClone's will be.



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In the six months to December 2010, R&D costs increased to $4.8 million, up from $2.8 million in the pcp primarily due to the VGX-100 program. What is your expected spend on the VGX-100 Phase I trials and how are you positioned to meet these costs?

CEO & MD Robert Klupacs
We expect the cost of the Phase I program, including drug costs, to be in the $1 million to $2 million range. As at 31 December, we had about $25 million cash on our balance sheet plus our holdings in listed investments. This is sufficient to get us to the end of the Phase I program.

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Circadian is transitioning from a pre-clinical stage company, to one expected to have two molecules in Phase I clinical development by the end of FY2011. What does this mean for the potential value of your VEGF intellectual portfolio and ability to secure further licensing agreements?

CEO & MD Robert Klupacs

There is a great deal of attrition of early stage drug candidates from discovery to pre-clinical trial, before they get to clinical trials. The fact that we could have two candidates in clinical trial, one in conjunction with ImClone, is a great endorsement and certainly enhances our value proposition both to potential partners and to investors. It is also important to emphasise that the success rate for monoclonal antibodies entering clinical trials is significantly higher than with small molecule drugs.

For more information about Circadian Technologies Limited, visit www.circadian.com.au or call Robert Klupacs on +61 3 9826 0399.

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