

23 August 2011

**PRELIMINARY FINAL REPORT (APPENDIX 4E)
FINANCIAL YEAR ENDED 30 JUNE 2011**

No. of Pages: 80

In accordance with Listing Rule 4.3A, we enclose the Preliminary Final Report (Appendix 4E) on the consolidated results of Circadian Technologies Limited ('Circadian' or 'Group') for the year ended 30 June 2011.

Key Financials

Results for the period predominantly reflect the Group's investment in executing the strategy to successfully develop the extensive intellectual property platform it owns in respect of VEGF-C, VEGF-D and VEGFR-3 into therapeutic and diagnostic products in cancer and eye disease.

An analysis of the financial results is provided in the attached Appendix 4E Preliminary Final Report.

For details regarding Circadian's results and operational highlights/events refer to the Financial Report for Year Ended 30 June 2011 attached.

This letter and the attached Appendix 4E Preliminary Final Report form part of this announcement to the Australian Stock Exchange Limited.

Susan Madden
CFO & Company Secretary

APPENDIX 4E

Preliminary final report

Name of entity: **CIRCADIAN TECHNOLOGIES LIMITED**

ABN: **32 006 340 567**

Reporting period: **FINANCIAL YEAR ENDED 30 JUNE 2011**

Previous
corresponding period: FINANCIAL YEAR ENDED 30 JUNE 2010

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Note: The financial figures provided are in **actual** Australian dollars, unless specified otherwise.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The consolidated results of Circadian Technologies Limited for the year ended 30 June 2011 are as follows:

Revenues and Results from Ordinary Activities:		Change compared to 2010 %	2011 \$
Revenues from ordinary activities	Down	18.5 to	1,834,467
Loss from ordinary activities after tax attributable to members	Loss has increased	47.7 to	(10,265,346)
Loss for the year attributable to members	Loss has increased	47.7 to	(10,265,346)
An explanation of the figures reported above are contained in the Directors' Report under the heading 'Results'.			
Shareholder Distributions No dividends have been paid or declared by the entity since the beginning of the current reporting period.			

CIRCADIAN TECHNOLOGIES LIMITED (ACN 006 340 567) AND CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The Board of Directors of Circadian Technologies Limited (Circadian or Company) submits its report for the year ended 30 June 2011 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 & CEO
Don Clarke	Non-Executive Director
Tina McMeckan	Non-Executive Director
Errol Malta	Non-Executive Director
Carlo Montagner	Non-Executive Director
Jonathan Skipper	Non-Executive Director

Directors were in office for this entire period unless otherwise stated.

The qualifications, experience and special responsibilities of the Company's Directors are as follows:

Dominique Fisher, BA (Hons), MAICD

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 and Risk 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 the Executive Chairman of CareerLounge Pty Ltd. Her past appointments have included a Non-Executive Director of Pacific Brands Limited and membership of its Audit and Risk Committee, Councillor of the Australia Council of the Arts, and Chairman of its Dance Board, Insurance Australia Group Limited (IAG), member of the Prostate Cancer Foundation Victoria, 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.

Robert Klupacs, BSc(Hons), Grad Dip IP Law, MAIPA

Robert Klupacs joined Circadian Technologies Limited as an Executive in August 2005 and was appointed as Managing Director of the Company on 1 March 2008. He is also an Executive Director of all of the Company's wholly owned subsidiaries and Chairman of associated company Syngene Limited. Mr Klupacs is a registered Australian patent attorney and has been involved in the biotechnology industry for over 20 years. He has significant expertise in technology commercialisation and corporate structuring and has negotiated and closed a number of major licensing transactions with international pharmaceutical and biotechnology companies throughout his career. Prior to his position at Circadian, Mr Klupacs was CEO of ES Cell International Pte Ltd (ESI), a pioneering company in the development of human embryonic stem cell technologies based in Singapore. Prior to his role at ESI, he spent two and a half years running the Monash Institute of Reproduction and Development (MIRD) in Melbourne as its Chief Operating Officer, where he founded six start-up companies, and before that was employed for over 11 years by Zenyth Therapeutics Limited (formerly Amrad Corporation Ltd) with the last four years in that company as a member of the executive team and Director of Intellectual Property.

Don Clarke, LLB (Hons)

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 and Risk 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 ASX listed companies, Webjet Limited (appointed as a director in January 2008 and Deputy Chairman in April 2011) and Phosphagenics Limited, and a former director of Calzada Limited (formerly Metabolic Pharmaceuticals Limited).

Tina McMeckan, BLibArts&Sc, MBA, FAICD

Tina McMeckan was appointed a Non-Executive Director of Circadian in January 2008 and is Chairman of the Audit and Risk 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 a Director of CRC for Spatial Information, SP AusNet Limited, Global Carbon Capture and Storage Institute and Metlink Pty Ltd. 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. She was formerly the Chairman of NanoVentures Australia Ltd and a Member of the National Board of Norton Rose law firm. Her other appointments as a Director have included United Energy, Snowy Hydro Trading, the Westar and Kinetik Energy Group, Victorian Power Exchange, Vision Cooperative Research Centre, Solaris Power and the formerly listed company Alinta Limited (October 2003 to August 2007).

Errol Malta, BSc(Hons) PhD (Pharmacology)

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 and a member of the Remuneration Committee. Dr Malta has more than 20 years experience in drug development within the pharmaceutical industry, including more than ten 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 USA. Dr Malta has 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

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 U.S., Europe, Japan and in 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 CEO of privately held Specialised Therapeutics Australia Pty Ltd 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 and is a former Director of Abraxis Bioscience Australia Pty Ltd.

Jonathan Skipper, PhD

Dr Jonathan Skipper was appointed a Non-Executive Director of Circadian on 14 August 2008. He was formerly Non-Executive Director of Vegenics Pty Ltd (a Circadian subsidiary). Dr Skipper is Executive Director for Technology Development at the Ludwig Institute for Cancer Research Ltd and has 14 years experience with the Ludwig Institute for Cancer Research (LICR) in intellectual property management and technology licensing. He is also a member of the boards of the Cancer Vaccine Acceleration Company LLC, Seramtrix Inc and Recepta Biopharma SA..

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 the University College, London and conducted further research at the University of Virginia and the University of Oxford.

COMPANY SECRETARY

Susan Madden, BBus, CPA

Susan Madden, who is also the company's Chief Financial Officer, was appointed as Company Secretary of Circadian Technologies Limited 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 3 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 Syngene Limited, Vegenics Pty Ltd and other Circadian subsidiary companies and holds a seat on the Finance and Audit Committee for BreastScreen Victoria. She is also a member of two Board Committees for Cycling Victoria, the Marketing, Promotion and Membership Commission and the Women and Girls Commission.

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/rights over ordinary shares
Dominique Fisher	-	117,500	-
Robert Klupacs	197,519	-	1,520,000
Don Clarke	-	80,000	-
Tina McMeckan	-	38,773	-
Errol Malta	-	50,000	-
Carlo Montagner	22,058	-	-
Jonathan Skipper	-	-	-

SHARE OPTIONS & PERFORMANCE RIGHTS

Unissued Shares

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

Ordinary shares:

As part of the consideration for the acquisition of the non controlled interests in Vegenics Pty Ltd 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).

Unissued ordinary shares:

Number of deferred shares nil

Options:

Number of shares under option	1,367,694	99,305	500,000	780,982	100,000	77,144
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 offer price for the Company's shares at 30 June 2011 was \$0.58.

No options were exercised during the financial year.

Conditional Rights:

Number of Conditional Rights	1,560,000
Exercise price	nil
Vesting date ^	
Expiry date	31/3/2015

^ Under the terms of the Conditional Rights Scheme, the rights will vest if certain milestones are met. One of the key overriding conditions of the Scheme is that if the 10 day volume weighted average price (VWAP) is not less than \$1.75 at any time, then 100% of the Conditional Rights will vest.

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

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 Technologies Limited's principal activity is to develop and commercialise therapies primarily for cancer as well as for other serious diseases, in particular eye disease. These development activities are based on 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 which has been accumulated in Circadian's 100% owned unlisted subsidiary Vegenics Pty Ltd. The therapeutic applications for the VEGF technology, which functions in regulating blood supply (angiogenesis), are substantial and broad. As outlined in the Operations Report considerable progress has been made with bringing Circadian's therapeutic development products to clinical testing stage.

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 \$10,265,346 after an income tax benefit of \$777,936 (2010: loss of \$6,948,240 after an income tax expense of \$109,502).
- Consolidated cash balance as at 30 June 2011 amounted to \$22,104,414 (2010: \$31,855,169).
- The net tangible asset backing per share as at 30 June 2011 was \$0.47 (2010: \$0.70) whereas Circadian's share price was \$0.58 (2010: \$0.52).
- Direct R&D expenditure (excluding personnel costs) amounted to \$6,570,095 (2010: \$4,295,334). Including personnel costs and other R&D support costs which are recognised through the administrative cost centre, total expenditure in R&D amounted to \$8,096,235 (2010: \$6,151,076).
- Royalty income of \$446,154 (2010: \$621,712).
- Patent costs of \$562,843 (2010: \$1,044,370).
- 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 2011 was \$1,328,931 (2010: \$1,755,612).

Commensurate with the Group's strategy, the major expenditure of the company has been in relation to R&D, in particular costs associated with the cGMP production of VGX-100 for clinical trials, GLP toxicology studies

with VGX-100 as required by FDA and other regulatory bodies as well as ongoing evaluation of VGX-100 in animal models of cancer and eye disease.

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 2011 financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity reduced from \$31,820,094 to \$21,824,173 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

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in the financial report, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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 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 (100% owned subsidiary of 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 property 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 property 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 2011, 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 2011. 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 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	Audit & Risk	Meetings of Committees Remuneration¹	PDRC
Number of meetings held:	9	4	1	2
Number of meetings attended:				
Dominique Fisher	9	4		
Robert Klupacs	9			
Don Clarke	9	4	1	
Tina McMeckan	8 (9)	4		
Errol Malta	8 (9)		1	2
Carlo Montagner	8 (9)		1	2
Jonathan Skipper	7 (9)			

1 All directors in office contributed to the remuneration committee meeting in May 2011.

COMMITTEE MEMBERSHIP

During the year, the Company had an Audit and Risk 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 & Risk	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 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. 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	\$15,880
Other tax services	\$24,440

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 2011.

This report provides a summary of the remuneration policies and practices adopted by Circadian during the 2011 financial year for directors and key management personnel as defined by the *Accounting Standards AASB124: 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.

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
Don Clarke	Director (non-executive)
Tina McMeckan	Director (non-executive)
Errol Malta	Director (non-executive)
Carlo Montagner	Director (non-executive)
Jonathan Skipper	Director (non-executive)

(ii) Executives

Mark Sullivan	Head of Development
Richard Chadwick	Head of Intellectual Property
Megan Baldwin	Head of Pre-clinical Development
Mike Gerometta	Head of CMC Development

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.

Diversity

In April 2011, the Company established a Diversity Policy in accordance with Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations. As part of that policy, the Remuneration Committee has the responsibility to, at least annually, report on the relative proportion of women and men in the workforce at all levels of the Company.

As at 30 June 2011, women comprise 47% of our workforce, 43% of our senior management positions and 33% of the non executive positions on our Board.

The Board considers that these figures represent a sound level of diversity within the organisation and aims to at least maintain these levels. Appointments will continue to be based on merit as the Circadian Board aims to attract and maintain a team which has an appropriate and diverse mix of skills, experience and expertise.

REMUNERATION REPORT (audited) (continued)

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 which provides the Company with the ability to attract and retain directors of the highest calibre, while incurring a cost which is acceptable to shareholders.

Structure & Performance

The Company's constitution and the 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 \$352,086 per annum, which is inclusive of superannuation.

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 to \$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 2011. 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 2011. It is at a Directors 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.

REMUNERATION REPORT (audited) (continued)

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 2011 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 2012 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 2011 and 30 June 2010 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 & 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)
- Variable remuneration:
 - o Short-term incentive (STI); and
 - o 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 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 was held in May 2011. The key performance indicators for the financial year ending 30 June 2012 are expected to be approved by early September.

Table 1 of this report sets out the remuneration of directors and executives of the Company for the years ended 30 June 2011 and 30 June 2010 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 which 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.

REMUNERATION REPORT (audited) (continued)

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 depends 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 Key Performance Indicators (KPIs) covering corporate objectives and individual measures of performance. Individual KPIs are linked to the Company's strategy and drug development annual business plan.

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 one month 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 2011 financial year

The remuneration committee considered the STI payment for the 2011 financial year within the first two months after the end of that year. The STI cash bonus that is to be paid for the 2011 financial year for key management personnel is \$141,264 plus relevant on-costs. This has been determined on the basis of KPIs achieved by the 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 and conditional rights.

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

Hedging of unvested options

The Company prohibits executives from entering into arrangements to protect the value of unvested options. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

The Company has ensured adherence to this policy by requesting each KMP to sign a declaration of compliance with the hedging policy.

REMUNERATION REPORT (audited) (continued)

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. 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 5 years of the grant date; 2008 and 2009 options within approximately 4 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 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 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 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 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).

Conditional Rights issued in financial year 2011

In November 2010, at the Annual General Meeting, the shareholders of Circadian approved the implementation of the Employee Conditional Rights Scheme. The purposes of the Scheme and the issue of Rights are to provide a long term incentive to Circadian 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.

In March 2011, Circadian issued 1,560,000 conditional rights to shares that were taken up by employees. For each conditional right, an employee is entitled to require that Circadian issues one free share to them, subject to the achievement of certain milestones, as described in the notice of meeting issued to shareholders on 11 October 2010. The exercise of the rights is conditional on the Group achieving the following milestones:

- Milestone 1 - 33% of the rights will vest if either of the following occurs within 18 months:
 - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed; or
 - annualised royalty income exceeds \$2 million.
- Milestone 2 - 67% of the rights will vest if any three of the following occurs within 36 months:
 - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;

REMUNERATION REPORT (audited) (continued)

- the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.50 within 90 days of the date of the offer, which is 4 March 2011;
 - 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 exceeds \$5 million.
- Milestone 3 - 100% of the rights will vest if any three of the following occurs within 48 months:
 - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
 - the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.75 within 90 days of the date of the offer, which is 4 March 2011;
 - 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 exceeds \$7.5 million.

Notwithstanding the vesting timetable above, 100% of the conditional rights will crystallise and be able to be exercised if:

- the 10 day Volume Weighted Average Price (VWAP) of the shares is not less than \$1.75 at any time;
- 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 share as determined by the Board exceeds:
 - \$1.30 per share, if within 12 months of 4 March 2011;
 - \$1.50 per share if within 24 months of 4 March 2011;
 - \$1.75 per share if within 36 months of 4 March 2011; or
 - \$2.00 per share if within 48 months of 4 March 2011.

The conditional rights which have been issued have an expiry date of 31 March 2015. Conditional rights 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.

Further information regarding the Conditional Rights Scheme can be obtained from note 26(b) of the financial statements.

Shareholder Returns/Value

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

	2011 \$	2010 \$	2009 \$	2008 \$	2007 \$
Basic (loss)/earnings per share	(0.22)	(0.15)	(0.22)	(0.03)	0.28
Capital return per share	-	-	-	-	-
Dividends per share	-	-	-	-	-
NTA backing per share @ 30 June	0.47	0.70	0.86	1.28	1.52
Circadian share price @ 30 June	0.58	0.52	0.73	0.88	1.28

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. Despite increasing strongly and reaching a high of 78 cents during the year, the share price at 30 June 2011 increased slightly above the price at last year end. The factors contributing to this year's and last year's financial results are described under Operating and Financial Review of this report.

REMUNERATION REPORT (audited) (continued)

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 \$387,876 per annum.
- 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 initial contract and as part of his ongoing remuneration, 500,000 LTI options were granted in February 2008. Refer to "Options issued in financial years 2007 to 2009" above, for terms and conditions of the options granted. At the Annual General Meeting held on 11 November 2010, the shareholders gave approval for the grant of 520,000 conditional rights to Mr Klupacs under the Company's Employee Conditional Rights Scheme, resolved to be granted by the Board in October 2010 and, upon exercise of those conditional rights, the acquisition of 520,000 ordinary shares underlying those right, in accordance with the terms of the scheme. Refer to "Conditional Rights issued in financial year 2011" for terms and conditions of the rights granted.

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive. On termination on 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 the executive 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.

REMUNERATION REPORT (audited) (continued)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2011 (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	2011	80,004	-	7,200	-	-	-	87,204	-
	2010	80,004	-	7,200	-	-	-	87,204	-
D Clarke	2011	56,004	-	5,040	-	-	-	61,044	-
	2010	56,004	-	5,040	-	-	-	61,044	-
T McMeekan	2011	51,000	-	4,590	-	-	-	55,590	-
	2010	51,000	-	4,590	-	-	-	55,590	-
E Malta ¹	2011	80,004	-	7,200	-	-	-	87,204	-
	2010	69,034	-	6,213	-	-	-	75,247	-
C Montagner	2011	56,004	-	5,040	-	-	-	61,044	-
	2010	56,004	-	5,040	-	-	-	61,044	-
J Skipper ²	2011	-	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-	-
Sub-total Non-Executive Directors	2011	323,016	-	29,070	-	-	-	352,086	
	2010	312,046	-	28,083	-	-	-	340,129	
Executive Directors:									
R Klupacs	2011	387,876	60,896	40,389	-	-	105,185	594,346	27.94
	2010	371,172	102,073	42,592	-	-	128,974	644,811	35.83
Other Key Management Personnel:									
M Baldwin ³	2011	178,926	29,152	18,727	-	-	31,651	258,456	23.53
	2010	112,461	20,762	11,990	-	-	19,151	164,364	24.28
M Gerometta ⁴	2011	170,952	27,566	17,867	-	-	13,907	230,292	18.01
	2010	123,000	17,220	12,620	-	-	3,907	156,747	13.48
M Sullivan ⁵	2011	265,200	-	-	-	-	-	265,200	-
	2010	193,800	-	-	-	-	-	193,800	-
A Szabo ⁶	2011	-	-	-	-	-	-	-	-
	2010	252,980	26,522	32,445	-	98,230	23,939	434,116	11.62
R Chadwick ⁷	2011	191,325	23,650	19,348	-	-	26,571	260,894	19.25
	2010	171,020	12,977	16,560	-	-	15,321	215,878	13.11
Sub-total Executive KMP	2011	1,194,279	141,264	96,331	-	-	177,314	1,609,188	
	2010	1,224,433	179,554	116,207	-	98,230	191,292	1,809,716	
Totals	2011	1,517,295	141,264	125,401	-	-	177,314	1,961,274	
	2010	1,536,479	179,554	144,290	-	98,230	191,292	2,149,845	

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 directors fee. As a gesture of good faith, the Group paid \$46,000 directly to LICR as a charitable donation.

3 Dr M Baldwin had a period of 3 months unpaid leave during the previous financial year.

REMUNERATION REPORT (audited) (continued)

Table 1: Remuneration for the year ended 30 June 2011 (Consolidated) (continued)

- 4 Dr M Gerometta increased from 3 days per week in the previous financial year to 4 days per week in the current financial year.
- 5 M Sullivan was appointed on 17 August 2009 and increased from 2 days per week in the previous financial year to 2.5 days per week in the current financial year. He is remunerated through Medicines Development Limited.
- 6 A Szabo ceased to be a key management person upon leaving the company on 1 July 2010.
- 7 Dr R Chadwick increased from 4 days per week in the previous financial year to 4.5 days per week in the current financial year.

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

As at 30 June 2011, 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 2011 was 52.5 cents).

The value of the options and rights attributed to compensation of certain key management personnel for the current financial year represent the expensing of options that were granted in the 2007, 2008, 2009 and 2011 financial years, and has been determined by allocating the fair value of the options and rights equally over their respective vesting periods.

Refer to note 26 of the financial report for details on the valuation of options and rights.

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

Vested during year									
Granted during year				Terms & Conditions for each Grant					
				Fair value per option at grant date (note 26)	Exercise price per option (note 26)	Expiry Date	First Exercise Date	Last Exercise Date	No.
		No.	Grant Date						
Directors									
R Klupacs	2011	520,000	11/11/2010	\$0.20	\$0.00	31/3/2015			1,000,000
	2010	-							-
Executives									
M Baldwin	2011	200,000	22/3/2011	\$0.25	\$0.00	31/3/2015			-
	2010	-							-
M Gerometta	2011	160,000	22/3/2011	\$0.25	\$0.00	31/3/2015			-
	2010	-							-
M Sullivan	2011	-							-
	2010	-							-
R Chadwick	2011	180,000	22/3/2011	\$0.25	\$0.00	31/3/2015			-
	2010	-							-
Total Options									
	2011	1,060,000	22/3/2011	\$0.25	\$0.00	31/3/2015			-
	2010	-							-

Refer to Note 26 of the financial statements for further details of the share based payment plans. There were no options granted or shares issued to key management personnel since the end of the financial year.

REMUNERATION REPORT (audited) (continued)

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
R Klupacs	105,763	26,441			27.94
M Baldwin	50,000	12,500	-	-	12.25
M Gerometta	40,000	10,000	-	-	6.04
M Sullivan	-	-	-	-	-
R Chadwick	45,000	11,250	-	-	10.18

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 rights 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.

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.

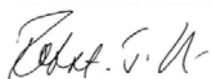
Shares issued on exercise of compensation options (Consolidated)

There were no options exercised by key management personnel during the 2011 and 2010 financial years.

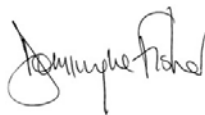
This report has been signed in accordance with a Resolution of the Directors made on 23 August 2011.

For and on behalf of the Board:

Robert Klupacs
Director



Dominique Fisher
Director



Melbourne
23 August 2011

OPERATIONS REPORT

Circadian: Developing novel antibody therapeutics for cancer and eye disease

Review by Robert Klupacs, Managing Director & CEO

Dear Shareholders

We are delighted to report to you on your Company's progress in executing the strategy to commercially develop the extensive intellectual property (IP) platform we own in respect of VEGF-C, VEGF-D and VEGFR-3 as therapeutic and diagnostic products in cancer and eye disease. In the year under review, we achieved the following significant milestones:

- **completion of IND enabling studies for VGX-100 in the oncology setting.** We plan to commence Phase I studies before the end of 2011;
- **our first therapeutic product candidate** (IMC-3C5, a human antibody to VEGFR-3) being developed by our licensee ImClone Systems Inc **entered into Phase I clinical trials**;
- **our first clinical diagnostic product**, a VEGF-D diagnostic test to diagnose patients with the debilitating lung disease – lymphangioleiomyomatosis (LAM), **was launched** in the USA through our partner Cincinnati Children's Hospital Medical Centre;
- **we successfully resolved the arbitration proceedings with Ark Therapeutics Limited** relating to that company's ongoing development of VEGF-D gene therapy products and which will result in improved licencing terms to us in the future;
- we achieved the grant of very important patents in the USA and Europe covering the use of any of our lead therapeutic product candidates or similar products of third parties, to treat cancer or eye disease which **extended patent coverage to September 2023**, as well as additional patents in the USA covering VEGF-D diagnostics;
- **we considerably strengthened our dominant IP position in respect of VEGF-D** and VEGF-D antibodies through the receipt of a worldwide exclusive licence to VEGF-D IP owned by the largest biotechnology company in Japan - Chugai Pharmaceutical Co;
- in collaboration with the Schepens Eye Research Institute at Harvard University, **identified that** the VEGF-C/VEGFR-3 pathway is a major mediator of inflammatory disease in the cornea and that **VGX-100 could become a major new therapeutic in the treatment of front-of- the eye diseases**;
- **we outlined in detail our clinical development strategy and projected timelines to develop VGX-100 in combination with existing standard of care chemotherapy regimens in patients with glioblastoma (brain cancers) and colorectal cancers**; and
- **announced our strategy to develop VGX-100 as an agent to treat various corneal (front of the eye) diseases.**

The key components of the Company's strategy are as follows:

- **advancing our drug development pipeline to show significant clinical efficacy in appropriately designed human clinical trials;**
- **the continued extension, strengthening and enforcement of our core intellectual property position covering VEGF technology to both protect our ongoing development activity as well as generate increasing revenues through licensing partnerships;**
- **continue to build partnerships for the commercialisation and ongoing development of our therapeutic and diagnostic products.**

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 in oncology and front of the eye disease

Oncology

Our short term goal is to file an IND with the FDA and subsequently commence Phase I clinical trials in cancer patients in the fourth quarter of 2011.

We have made extensive progress in this regard and remain on target to achieve this goal.

In June 2011, we announced the completion of a significant array of preclinical studies with VGX-100. In particular that we had:

- successfully completed the cGMP manufacture of VGX-100 for use in Phase I and Phase II clinical trials;
- had successfully completed GLP toxicology studies in two animal species in accordance with FDA guidelines (showing VGX-100 to be well tolerated at doses well in excess of expected human clinical doses); and
- had a positive pre-IND meeting with the FDA in respect of our proposed early clinical development plans in cancer patients.

We also announced, in June 2011, that we intended to commence clinical trials with VGX-100 in cancer patients at sites in the USA before the end of 2011 under an IND filed with the FDA and that our goal was to initiate Phase II studies in colorectal cancer and glioblastoma patients by first half of 2013.

While proof of principal in Phase II studies are recognised as a major value adding event for any drug-development company, given the wide acceptance of VEGF-C as a major drug target, clinical data showing that a combination of VGX-100 with other anti-angiogenic or chemotherapy agents is safe and well tolerated will be a major milestone for ongoing development. We expect this data to be available in the second half of 2012.

We also continued to generate promising scientific data with VGX-100 in cancer models.

In April 2011, we presented new and additional 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.

Highlights of the data included the following findings:

- addition of VGX-100 to bevacizumab (Avastin®) + docetaxel (a chemotherapy agent) therapy reduced tumour burden in prostate, ovarian and lung cancer models;
- in an orthotopic mouse model of human prostate cancer (a model where tumours are inoculated directly into the prostate) single-agent VGX-100 significantly inhibited primary tumour growth by 59% compared to a control antibody; and
- in the same orthotopic model of human prostate cancer single agent VGX-100 significantly reduced the incidence of metastasis (tumour spread) to local lymph nodes by 55%.

We are continuing to undertake additional studies to evaluate VGX-100 in a range of different tumour types in rodent cancer models.

In June 2011 at the annual meeting of the American Society of Clinical Oncology, we announced the publication of data arising from a collaboration with clinical scientists at the MD Anderson Cancer Center in Texas, USA which showed that VEGF-C and VEGF-D could be predictive biomarkers for identifying Avastin® resistance in cancer patients.

Resistance to Avastin® is a frequent occurrence in the treatment of certain cancers with resulting loss of response and disease progression. The study showed that increases in VEGF family markers in patients with metastatic colorectal cancer are associated with Avastin® resistance. In particular, VEGF-C increases were seen in patients prior to and at the time of disease progression while receiving Avastin® and chemotherapy.

The findings support our strategy for combining our VEGF-C antibody (VGX-100) with Avastin® to seek better outcomes for patients. The data also provide further rationale for the development of VEGF-C and/or VEGF-D based biomarker tests to monitor cancer therapy. The diagnostic applications of VEGF-C and/or VEGF-D in oncology are a significant new product opportunity for us.

Front of the Eye Disease

We have previously announced that we have an ongoing collaboration with scientists at the prestigious Schepens Eye Research Institute at Harvard University evaluating VGX-100 in a range of corneal (front of the eye) disease models. The Schepens scientists have previously identified the key role of the VEGF-C/D/VEGFR-3 axis in mediating corneal inflammation and avascularity.

Our collaborators have subsequently shown that VGX-100 has significant effects in ameliorating rejection of corneal grafts as well as inhibiting the growth of blood and lymphatic vessels into the cornea following injury in animal models.

Based on the fact that we can extensively leverage the data and expertise generated from our ongoing drug development activities with VGX-100 in the cancer setting to also enable development of VGX-100 in eye disease, and the very exciting data being generated through the Schepens collaboration, we announced, in June 2011, that we would also be developing VGX-100 as a therapeutic agent to treat front of the eye (corneal) diseases. We aim to commence clinical development in the second half of 2012. Peer reviewed scientific papers describing the results of this ongoing collaboration are expected to publish toward the end of 2011.

EXTENDING, STRENGTHENING AND ENFORCING OUR INTELLECTUAL PROPERTY POSITION

Successful prosecution of key strategic patents

Diagnostic Products

In September 2010, Vegenics Pty Ltd was granted US Patent 7785803 claiming diagnostic kits for the detection of VEGF-D in human samples such as blood. The use of targeted therapies in human healthcare is becoming more prevalent. In line with this trend, regulatory bodies and clinicians are increasingly in need of validated diagnostic tests to identify selected biomarkers and therefore assess a patient's likelihood to respond to these therapies. VEGF-D's role as a biomarker in cancer and other diseases is becoming more widely recognised. As such, the development and availability of a VEGF-D diagnostic test could have many important applications in improving the effectiveness of a wide array of potential targeted approaches, including Circadian's own treatments in development.

As mentioned below, this patent is important in protecting the VEGF-D test launched in partnership with Cincinnati Children's Medical Hospital to diagnose the debilitating lung disease Lymphangioleiomyomatosis (LAM).

Therapeutic Products

In November 2010, we announced the grant of United States Patent No. 7,829,091 as well as allowance of corresponding European and Canadian patents to Vegenics.

This patent covers the use of inhibitors which block the binding of VEGF-C or VEGF-D to VEGFR-3 for the treatment of cancer as well as eye disease. Inhibitors covered include any soluble forms of the VEGFR-3 receptor and any antibodies directed against VEGF-C, VEGF-D or VEGFR-3 which inhibit the binding of VEGF-C or VEGF-D to VEGFR-3. It provides patent protection for all of our lead molecules till September 2023.

In January 2011, we announced that Vegenics had been granted an exclusive, global licence by Chugai Pharmaceutical Co, Ltd. - a major player in Japan and part of the Roche group - to Chugai IP relating to VEGF-D. Vegenics and Chugai both hold extensive VEGF-D IP portfolios which had overlapped throughout the world. The licence secures Circadian's position as the dominant player in respect of VEGF-D worldwide.

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, the Peter MacCallum Cancer Centre and NICTA (National ICT Australia).

Cancer of Unknown Primary origin is generally less well known and publicised than other cancer types. However, it is actually more common than leukemia 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, in collaboration with Circadian, Peter MacCallum Cancer Centre and NICTA, has continued to invest considerable time and effort into the development of this product. Although the status of development continues to remain commercial in confidence launch of the product is expected in the second half of 2011.

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

In April 2011, Circadian announced that our licensee, ImClone Systems, had commenced Phase I clinical trials in cancer patients in the United States. IMC-3C5 is an antibody which neutralises VEGFR-3. The Phase I trial is designed to identify an appropriate safe and tolerable dose level for future Phase II studies. The Phase I trial is expected to be completed in the second half of 2012.

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

Partnership with Cincinnati Children's Hospital Medical Center to provide VEGF-D based LAM diagnostic

In February 2011, we announced a partnership with Cincinnati Children's Hospital Medical Center to offer a VEGF-D based LAM diagnostic to patients in the USA as a laboratory test compliant with CAP (College of American Pathologists) / CLIA regulations.

This is the first blood-based diagnostic available to test for the disease Lymphangioleiomyomatosis (LAM). The blood sample based diagnostic was developed by Cincinnati Children's Hospital Medical Center, using Circadian's VEGF-D technology, following the discovery that high levels of VEGF-D holds the key to detecting the disease. LAM is a serious lung disease that causes shortness of breath and lung collapse. It affects mostly women, often striking in their 30's or child-bearing years.

Although only a small number of patients have been diagnosed with LAM to date, the recent discovery of a link between LAM and genetic abnormality, Tuberous Sclerosis Complex (TSC), causing the disease,

has led scientists to estimate that more than 250,000 women worldwide are unaware they have LAM. The availability of the test, and subsequent increasing knowledge of the disease amongst the general medical community, is predicted to increase screening for LAM in patients, with the number of tests estimated to exceed 25,000 per annum within the next few years.

Doctors in the US are now ordering this test through the Translational Trials Development and Support Laboratory of Cincinnati Children's Hospital Medical Center.

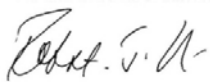
Partnership with Ark Therapeutics Group – VEGF-D gene therapy products

In November 2010, we announced that we had amicably settled the previously announced arbitration proceedings instituted against Lymphatic Ltd, a 100% owned subsidiary of Ark Therapeutics Group plc (AKT:LSE). Under the settlement, both parties agreed to terminate the arbitration process and to bear their own costs incurred. Additionally Vegenics received increased annual licence payments and royalties in respect of VEGF-D gene therapy products being developed by Ark. Ark is currently undertaking Phase I trials using VEGF-D to improve heart muscle function post infarction.

THE NEXT 12 MONTHS

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

- IND filing in respect of the VGX-100 with the US FDA and subsequent commencement of clinical trials;
- generation of additional data in animal models on corneal diseases to support development of VGX-100 in corneal disease settings;
- launch of CUP diagnostic test by Healthscope;
- development of additional clinical diagnostic tests for the measurement of VEGF-C, VEGF-D and/or VEGFR-3 in patient tissue as diagnostic assays in oncology; and
- continued expansion of the marketing of our VEGF-D based diagnostic test for LAM, outside of the USA.

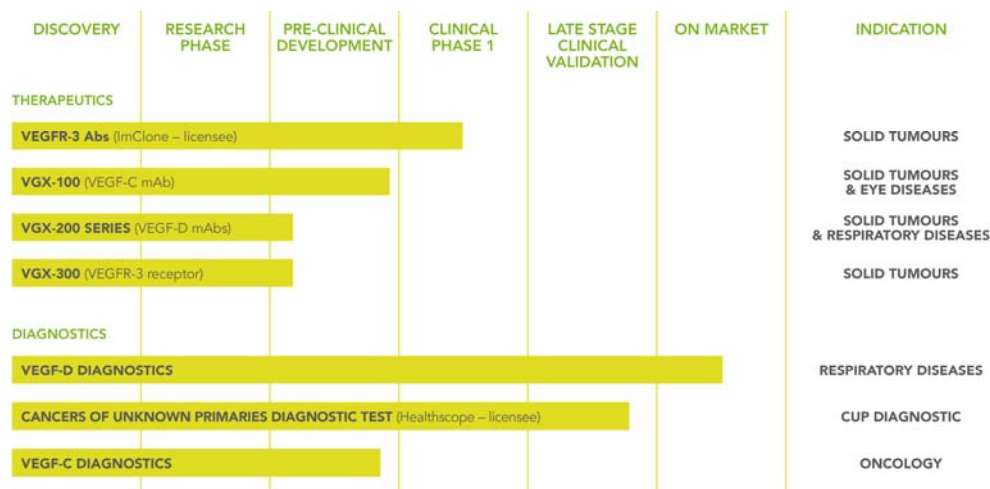


*Robert Klupacs
Managing Director & CEO
23 August 2011*

OPERATIONS REPORT (continued)

FURTHER INFORMATION

Our product pipeline



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

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; and
- blood based diagnostic tests for VEGF-C and VEGF-D as predictive and prognostic tests in cancer patients.

OUR STRATEGY

Our business is to develop new biological therapeutic products which 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, 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 Vascular Endothelial Growth Factor (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 toward 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.

VEGF-C/D/R-3 axis as an anti-cancer target

Several recent findings have further enhanced interest in the VEGFR-3 pathway 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 2011.



**CIRCADIAN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES**

ABN 32 006 340 567

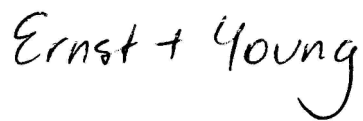
Annual Financial Report for the year ended 30 June 2011

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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 2011, 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 black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'Joanne Lonergan'.

Joanne Lonergan
Partner
Melbourne
23 August 2011

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	11	22,104,414	31,855,169
Receivables	12	208,546	262,314
Prepayments		80,129	71,615
Total Current Assets		22,393,089	32,189,098
Non-Current Assets			
Available-for-sale financial assets	13	1,328,931	1,755,612
Investments in associates	14	493,431	528,728
Deferred tax assets	9	189,441	45,536
Plant and equipment	16	97,505	53,851
Total Non-Current Assets		2,109,308	2,383,727
TOTAL ASSETS		24,502,397	34,572,825
LIABILITIES			
Current Liabilities			
Payables	17	2,239,182	2,390,023
Provisions	18	196,651	173,020
Total Current Liabilities		2,435,833	2,563,043
Non-Current Liabilities			
Deferred tax liability	9	189,441	155,136
Provisions	19	52,950	34,552
Total Non-Current Liabilities		242,391	189,688
TOTAL LIABILITIES		2,678,224	2,752,731
NET ASSETS		21,824,173	31,820,094
EQUITY			
Contributed equity	20	38,374,094	38,374,094
Retained earnings	21	(13,246,618)	(2,981,272)
Reserves	21	(3,303,303)	(3,572,728)
TOTAL EQUITY		21,824,173	31,820,094

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

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Finance revenue		1,388,313	1,629,750
Other revenue		446,154	621,712
Revenue	6	1,834,467	2,251,462
Other income	7(a)	15,274	85,247
Gain on cessation of equity accounting	7(b)	-	2,839,768
Research and development expenses	23	(6,570,095)	(4,295,334)
Patent expenses		(562,843)	(1,044,370)
Intellectual property costs		(147,006)	(116,727)
Administrative expenses	8(c)	(4,505,946)	(5,232,311)
Occupancy expenses	8(b)	(147,510)	(142,465)
Impairment losses	8(a)	(611,439)	(1,163,567)
Share of net profit/(loss) of associates	14(e)	31,195	(20,441)
Net foreign exchange losses		(379,379)	-
Loss before income tax		(11,043,282)	(6,838,738)
Income tax (expense) / benefit	9	777,936	(109,502)
Loss for period		(10,265,346)	(6,948,240)

Other comprehensive income

Net unrealised gains/(losses) on non-current listed investments for the period		184,759	(368,040)
Share in associate's movement in equity reserve	21	-	12,778
Gain on new share issue by associate	21	-	114,975
Income tax on items of other comprehensive income	21	(80,114)	-
Other comprehensive income for the period, net of tax		104,645	(240,287)
Total comprehensive loss for the period		(10,160,701)	(7,188,527)

Loss for the period is attributable to:

Non-controlling interest		-	256
Owners of the parent	21	(10,265,346)	(6,948,496)
		(10,265,346)	(6,948,240)

Total comprehensive loss for the period is attributable to:

Non-controlling interest		-	256
Owners of the parent		(10,160,701)	(7,188,783)
		(10,160,701)	(7,188,527)

Earnings per share for loss attributable to the ordinary equity holders of the parent:

- Basic and diluted loss per share (cents)	10	(22.20)	(15.36)
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The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Note	Contributed equity \$	Asset revaluation reserve \$	Option reserve \$	Contributed capital of associate reserve \$	Employee equity benefits reserve \$	Equity reserve- parent \$	Net unrealised gains reserve \$	Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
As at 1 July 2009		38,374,094	734,407	19	1,053,119	1,264,570	(7,172,143)	527,707	3,967,224	38,748,997	24,222	38,773,219
Net unrealised gains on non-current listed investments for the period *	21(b)	-	-	-	-	-	-	(368,040)	-	(368,040)	-	(368,040)
Share of associates' movement in equity reserve *	14(b)	-	-	-	12,778	-	-	-	-	12,778	-	12,778
Gain on new share issue by associate		-	-	-	114,975	-	-	-	-	114,975	-	114,975
Loss for the year *		-	-	-	-	-	-	-	(6,948,496)	(6,948,496)	256	(6,948,240)
Total comprehensive income and expense for the year		-	-	-	127,753	-	-	(368,040)	(6,948,496)	(7,188,783)	256	(7,188,527)
Cost of share-based payment	21(b)	-	-	-	-	259,880	-	-	-	259,880	-	259,880
Disposal of subsidiary which had non-controlling interests		-	-	-	-	-	-	-	-	-	(24,478)	(24,478)
Balance at 30 June 2010		38,374,094	734,407	19	1,180,872	1,524,450	(7,172,143)	159,667	(2,981,272)	31,820,094	-	31,820,094
As at 1 July 2010		38,374,094	734,407	19	1,180,872	1,524,450	(7,172,143)	159,667	(2,981,272)	31,820,094	-	31,820,094
Net unrealised losses on non-current listed investments for the period*	21(b)	-	-	-	-	-	-	104,645	-	104,645	-	104,645
Share of associates' movement in equity reserve *	14(b)	-	-	-	-	-	-	(66,492)	-	(66,492)	-	(66,492)
Loss for the year *		-	-	-	-	-	-	-	(10,265,346)	(10,265,346)	-	(10,265,346)
Total comprehensive income and expense for the period		-	-	-	-	-	-	38,153	(10,265,346)	(10,227,193)	-	(10,227,193)
Cost of share-based payment	21(b)	-	-	-	-	231,272	-	-	-	231,272	-	231,272
Balance at 30 June 2011		38,374,094	734,407	19	1,180,872	1,755,722	(7,172,143)	197,820	(13,246,618)	21,824,173	-	21,824,173

* Amounts are after tax

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

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities:			
Interest received		1,396,391	1,626,296
Royalty and licence income received		451,506	519,452
Grant income		-	2,500
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(11,851,687)	(9,878,241)
Income tax refund	9(a)	588,225	-
Net cash flows used in operating activities	22(a)	(9,415,565)	(7,729,993)
Cash flows from investing activities:			
Proceeds on disposal of subsidiary		-	50,615
Acquisition of financial investments		-	(15,000)
Proceeds from sale of investments		15,260	151,470
Purchase of plant and equipment		(76,878)	(23,151)
Repayment of loan by associate		-	629,987
Net cash flows (used in)/from investing activities		(61,618)	793,921
Net cash flows used in financing activities:			
		-	-
Net decrease in cash and cash equivalents		(9,477,183)	(6,936,072)
Net foreign exchange differences		(273,572)	16,513
Cash and cash equivalents at beginning of year		31,855,169	38,836,560
Less cash held by subsidiary disposed of during the period		-	(61,832)
Cash and cash equivalents at end of year	11	22,104,414	31,855,169

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

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. Corporate information

The consolidated financial report of Circadian Technologies Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 23 August 2011.

Circadian Technologies Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Circadian also operates an American Depositary Receipt (ADR) program where one ADR is the equivalent of 5 shares. ADRs are publicly traded on the QTCQX in the United States of America.

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

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 for investments classified as available-for-sale, which have been carried at fair value and investment in associate, which has been equity accounted for. These accounting policies have been consistently applied throughout the Group.

The financial report is presented in Australian dollars.

(a) Compliance with IFRS

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

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies

(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 2011, are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). The main changes from AASB 139 are: (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	► These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. ► This Standard shall be applied when AASB 9 is applied.	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies

(b) New accounting standards and interpretations (continued)

AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other	1 January 2011	This could have an impact on the Group's future reporting periods.	1 July 2011
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	This could have an impact on the Group's future reporting periods.	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.	1 January 2011	The Group has considered the impact of this amendment on its financial report.	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	This amendment will not have an impact on the Group's financial report.	1 July 2011

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013
IFRS 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013
IFRS 11	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013
IFRS 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

IFRS 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS.	1 January 2013	The Group has not assessed the impact of the new standard on its financial report.	1 July 2013
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(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Circadian Technologies Limited and its controlled entities (as outlined in note 24) as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group (see note (k) below).

Controlled entities 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.

Entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation, are also consolidated.

The financial statements of the controlled entities 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.

Controlled entities 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 (i) below for acquisition of non-controlling interests.

(d) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Circadian Technologies Limited and its Australian subsidiaries is Australian dollars (\$). The Finland subsidiary, which was incorporated during the current financial year but has not made any transactions, will have a functional currency of Euro which is translated to the presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(e) Cash and cash equivalents - refer note 11

Cash and cash equivalents in the statement of financial position comprise 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.

(f) Current receivables - refer note 12

Receivables generally comprise bank interest receivable, other receivable from external parties and GST credits receivable, and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The amounts are usually received within 30-60 days of recognition.

Collectability 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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(g) Investments and other financial assets - refer note 13

Investments and financial assets are classified as available-for-sale investments, or loans and receivables as appropriate, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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 when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

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

Available-for-sale investments comprise of 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

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. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

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.

(h) 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 of 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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(i) Acquisition of non-controlling interests - premium on acquisition - refer note 21(b)(vi)

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.

(j) 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.

(k) Investments in associates - refer note 14

The Group's investment in its associates is 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, 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. 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.

(l) 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 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.

(m) Plant and equipment - refer note 16

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated 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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(n) 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, even if that right is not explicitly specified in an arrangement.

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 2011 and 2010 financial years.

(o) 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(k) above.

Circadian Technologies Limited 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.

(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 17

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

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 non-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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(u) Provisions and employee benefits - refer notes 8, 18 and 19

(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 to 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 are currently two plans that provide these benefits to employees: the Employee Share Option Plan and a Conditional Rights Scheme. The Conditional Rights Scheme was introduced on 4 March 2011 and replaces the Employee Share Option Plan. No more share options will be issued under the Employee Share Option Plan after this date.

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 to value the 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 Technologies Limited (market conditions).

(v) Share-based payment transactions (continued)

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 20

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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(y) Income tax (continued)

Tax consolidation legislation

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

The head entity, Circadian Technologies Limited, 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 Technologies Limited 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.

(ac) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Financial risk management objectives and policies

The Group's principal financial assets comprise cash, receivables, short-term deposits and financial investments.

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 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.

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 2011, 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	
	2011	2010	2011	2010
	\$	\$	\$	\$
Consolidated				
+ 0.50% (50 basis points) (2010: + 0.50%)	100,000	135,000	-	-
- 0.50% (50 basis points) (2010: + 0.75%)	(100,000)	202,500	-	-

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 2011 (2010: 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 twelve months from balance date.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Financial risk management objectives and policies (continued)

(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 2011, 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 2011 \$	Impact on equity after tax 2011 \$	Impact on loss after tax 2010 \$	Impact on equity after tax 2010 \$
Consolidated				
Change in variables				
10% increase in listed share price	-	93,025	-	122,893
10% decrease in listed share price	-	(93,025)	-	(122,893)

(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:

2011	Consolidated		
	USD	EURO	GBP
	2011 \$	2011 \$	2011 \$
Financial assets			
Cash	1,514,967	-	10,499
Receivables	26,808	2,037	-
Financial liabilities			
Payables	(944,981)	(216,401)	(123,077)
Net exposure	596,794	(214,364)	(112,578)
2010	Consolidated		
	USD	EURO	GBP
	2010 \$	2010 \$	2010 \$
Financial assets			
Cash	1,363,893	-	2,569,469
Receivables	36,704	1,282	907
Financial liabilities			
Payables	(679,263)	(176,014)	(360,892)
Net exposure	721,334	(174,732)	2,209,484

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. Financial risk management objectives and policies (continued)

(iii) Foreign currency risk (continued)

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

At 30 June 2011, 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	
	2011	2010	2011	2010
	\$	\$	\$	\$
Consolidated				
AUD/USD +5%	(28,419)	(65,576)	-	-
AUD/USD -10%	66,312	37,965	-	-
AUD/Euro +5%	10,208	15,885	-	-
AUD/Euro -10%	(23,818)	(9,196)	-	-
AUD/GBP +5%	5,361	(200,862)	-	-
AUD/GBP -10%	(12,508)	116,289	-	-

The reasonably possible movements at 30 June 2011 are higher than at 30 June 2010 due to the higher net exposure to the US dollar.

There was minimum or insignificant exposure to the GBP during the current financial year compared to the prior year.

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

- The reasonably possible movement of 5% was calculated by taking the USD, EUR and GBP spot rates as at balance date, moving these by 5% and 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 twelve months from balance date.

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

(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 AASB 7 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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 judgements

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 AASB 139 Financial Instruments: Recognition and Measurement in determining when an available-for-sale asset is impaired. For the year ended 30 June 2011, 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.

Carrying value of investment in subsidiary

The judgement with respect to the carrying value of the investment in Vegenics Pty Ltd has been made through assessing the progress of the research and development activities against the milestones which were established for these activities. In undertaking the impairment test with respect to this investment, the Company assessed that the development milestones are being achieved in the timeframes expected, therefore 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 the Company's achievements and plans over the next 12 months is contained within the Operations Report.

(ii) Significant accounting estimates and assumption

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.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a binomial model. The related assumptions are detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
6. Revenue		
(a) Finance revenue		
Interest from:		
- Bank	1,386,128	1,600,744
- Related party - associated company	-	29,006
- Other unrelated persons	2,185	-
	1,388,313	1,629,750
 (b) Other revenue		
Royalties and licence fees	446,154	621,712
Total Revenue	1,834,467	2,251,462

7(a). Other income

Gain on disposal of subsidiary (i)	-	13,899
Government grant income	-	2,500
Net gain on disposal of available-for-sale investments	15,274	-
Net foreign exchange gains	-	68,848
	15,274	85,247

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

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 prior 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:

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(b))	-	(430,041)
Less commissions and brokerage charges	-	(1,530)
Gain on cessation of equity accounting	-	2,839,768

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
8. Expenses		
(a) Impairment losses		
Loan to associate (i)	-	(629,987)
Listed financial investments (ii)	611,439	1,793,554
	611,439	1,163,567

(i) Syngene Limited, an associated entity of Circadian Technologies Limited, fully repaid a loan totalling \$629,987 on the 21 May 2010. The entire amount of the loan which had 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 in the prior year.

(ii) The current year impairment loss of \$611,439 is the result of the continuing decline in the value of this investment during the first half of the year, when the share price reduced from 1.3 cents at 30 June 2010 to 0.7 cents at 31 December 2010. The share price has since increased to 0.8 cents at 30 June 2011. The impairment loss of \$1,793,554 in the prior year ended 30 June 2010, relates to the impairment of the investment in Antisense Therapeutics Limited upon the discontinuation of equity accounting.

(b) Occupancy expenses

- Operating lease rentals	111,680	101,693
- Outgoings	35,830	40,772
Total occupancy expense	147,510	142,465

(c) Administrative expenses

Included in administrative expenses are:

- Depreciation of:

Equipment and furniture (note 16)	27,786	28,111
Leasehold improvements (note 16)	299	478
Total depreciation expense	28,085	28,589

- Loss on sale of fixed assets	3,730	1,167
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- Employee benefits expense:

Salaries and fees	2,232,247	2,400,995
Cash bonuses	230,522	247,340
Superannuation	224,182	247,508
Share-based payments expense (note 26)	231,272	259,880
Other employee benefits expense	49,112	7,707
Total employee benefits expense	2,967,335	3,163,430

- Other administrative expenses

- Travel expenses	146,277	266,589
- Insurance	95,464	101,773
- Consultancy fees	177,531	507,197
- Legal fees	87,315	175,740
- Payroll tax	122,987	122,254
- Investor relation and share registry related costs	448,576	293,156
- Audit and accounting	132,720	125,896
- Other expenses	295,926	446,520
Total other administrative expenses	1,506,796	2,039,125
Total administrative expenses	4,505,946	5,232,311

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. Income Tax

2011
\$

2010
\$

(a) Income Tax Expense

The major components of income tax expense are:

Statement of Comprehensive Income

Current income tax

Current income tax charge	-	-
Refund of Research and Development Tax Credit (i)	(588,225)	-
Adjustments in respect of tax losses of previous years	-	(6,465)

Deferred income tax

Relating to origination and reversal of temporary differences	(189,711)	115,967
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Income tax expense reported in the statement of comprehensive income

(777,936) 109,502

(i) Following lodgement of the income tax return for 30 June 2010, the Group recognised an income tax benefit of \$588,255, which relates to the research and development tax offset allowable on research and development expenditure undertaken within Australia.

(b) Amounts charged or credited directly to equity

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

Net unrealised gain on listed investments (i)	80,114	-
Income tax benefit reported in equity	80,114	-

(i) Deferred tax liabilities were recognised with respect to unrealised gains on listed investments in Antisense Therapeutics Limited, \$30,572 and Optiscan Imaging Limited, \$49,542.

(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	(11,043,282)	(6,838,738)
At the parent entity's statutory income tax rate of 30% (2010: 30%)	(3,312,985)	(2,051,621)
Adjustment in respect of tax losses of previous years	-	(6,465)
Unrecognised unrealised and realised tax assets	6,150,363	3,464,673
Refund of Research and Development Tax Credit	(588,225)	-
Increase in deferred tax assets due to temporary differences	(3,092,305)	(838,569)
(Decrease)/increase in deferred tax liabilities due to temporary differences	(92,926)	(4,737)
Expenditure not allowable for income tax purposes	86,127	48,627
Income (not assessable)/assessable for income tax purposes	19,853	(29,834)
Research and development additional deductions allowable	(126,688)	(154,538)
Difference between tax gain/loss and accounting gain/loss on disposal of investments - non-assessable	178,850	(318,034)
Income tax expense reported in the statement of comprehensive income	(777,936)	109,502

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. Income Tax (continued)

2011	2010
\$	\$

(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:

Revaluation of listed investments to fair value	(80,114)	-
Temporary difference for investment in associate	(78,802)	(89,391)
Interest and royalty income receivable (future assessable income)	(30,525)	(65,745)
	(189,441)	(155,136)

Deferred tax assets:

Tax losses	-	6,465
Income received in advance	55,045	-
Employee provisions	74,880	10,366
Future allowable deductions/income not assessable	59,516	28,705
	189,441	45,536

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

Deferred income tax at 30 June relates to the following:

Tax Losses	(6,465)	-
Income received in advance	55,045	-
Temporary difference for investment in associate	10,589	11,230
Interest and royalty income receivable (future assessable income)	35,220	(12,987)
Employee provisions	64,514	10,366
Future allowable deductions/income not assessable	30,808	(124,576)
Deferred tax expenses	189,711	(115,967)

(f) Unrecognised temporary differences

Temporary differences with respect to deferred tax assets associated with investments, intellectual property and other miscellaneous items which have a low probability of realisation are unrecognised. These amounted to \$2,995,520 at year end (2010: \$959,272).

(g) Tax consolidation

(i) Members of the tax consolidated group

Circadian Technologies Limited and its 100% owned subsidiaries formed a tax consolidated group effective 1 July 2003. Circadian Technologies Limited 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).

(h) Carry forward unrecognised tax losses

The Group had income tax losses of \$10,515,100 and capital losses of \$877,704 at year end (2010: income tax losses of \$7,360,257 and capital losses of \$882,287 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 (2010: \$330,630), which represents the amount of franking credits available for the subsequent financial year.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
10. Earnings per Share		
The following reflects the income used in the basic and diluted earnings per share computations:		
<i>(a) Earnings used in calculating earnings per share</i>		
Net loss attributable to ordinary equity holders of the parent	(10,265,346)	(6,948,496)
<i>(b) Weighted average number of shares</i>		
Weighted average number of ordinary shares on issue for basic earnings per share	46,248,202	45,241,928
Effect of dilution:		
Deferred shares	-	-
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	46,248,202	45,241,928

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

	2011 \$	2010 \$
Cash at bank and in hand	2,104,414	4,855,169
Short-term deposits	20,000,000	27,000,000
	22,104,414	31,855,169

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 5.84% (2010: 5.81%).

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12. Current Assets - Receivables

	2011 \$	2010 \$
Interest receivable	73,537	81,617
Royalty income receivable (i)	28,217	32,596
GST receivable (i)	69,468	107,436
Other (i)	37,324	40,665
Total current receivables	208,546	262,314

(i) These receivables are non-interest bearing, most of which have repayment terms between 30 and 60 days. There are no receivables past due but not considered impaired.

(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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
13. Non-Current Assets - Available-for-sale financial assets		
Listed Australian shares - at fair value	1,328,931	1,755,612

(a) Details of listed Australian shares

	Ownership interest		Fair value (i)		Cost of investment	
	2011 %	2010 %	2011 \$	2010 \$	2011 \$	2010 \$
Listed investments						
Non-current investments:						
Optiscan Imaging Ltd	6.4	6.4	513,679	430,828	786,131	786,131
Antisense Therapeutics Ltd (ii)	10.7	17.3	815,252	1,324,784	3,118,339	3,118,339
Total listed investments			1,328,931	1,755,612	3,904,470	3,904,470

Non-current investments in listed shares (which are not associates) are designated and accounted for as "available-for-sale" financial assets pursuant to AASB 139 *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) In the prior year, the Group discontinued the application of equity accounting in recognising the investment in Antisense Therapeutics Ltd on 24 March 2010. This was 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% and the investment in Antisense Therapeutics has since been accounted for as an available for sale financial asset instead of being recognised as an investment in associate as per AASB 128 *Investments in Associates*. As a result, an impairment loss of \$1,793,554 was recognised in profit or loss in the prior year relating to the impairment of the investment in Antisense Therapeutics Limited. Due to the continuing decline in the first half of the current financial year, a further impairment loss of \$611,439 was recognised during the year.

(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 \$203,621 during the 2011 financial year (2010: \$374,101) which arose from the carrying values exceeding the net assets of the relevant subsidiaries. See note 24(a).

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. Non-Current Assets - Investments in Associates

(a) Investment details

Name and Principal Activities	Ownership interest		Carrying amount	
	2011	2010	2011	2010
	%	%	\$	\$
Unlisted:				
Syngene Limited - Gene diagnostics	42.4	42.4	493,431	528,728

The Group's proportion of voting power held in this associate is the same as its ownership interest. The Group's investment in the associate is accounted for in accordance with the accounting policy described in note 2(k).

Syngene Limited is an unlisted public company and is incorporated in Australia. The entity reporting period is 30 June. Antisense Therapeutics Limited ceased to be an associated entity of the Group as a result of the sale of its shareholdings in the previous financial year. Refer to note 13(ii). The investment in Antisense Therapeutics Limited has been accounted for as an available for sale financial asset as per AASB 139 *Financial Instruments: Recognition and Measurement*.

	2011	2010
	\$	\$
(b) Movements in the carrying amounts of the Group's investments in associates		
Antisense Therapeutics Limited:		
At 1 July	-	735,623
Acquisition of shares	-	-
Net gain on new share issue by associate (note 21(b)(iii))	-	114,975
Share of movement in equity reserve (note 21(b)(iii))	-	12,778
Share of loss after income tax	-	(433,335)
Cessation of equity accounting	-	(430,041)
At 30 June	-	-
Syngene Limited:		
At 1 July	528,728	566,161
Share of profit after income tax	31,195	412,894
Share of net unrealised loss on listed investment for the year (i)	(66,492)	(450,327)
At 30 June	493,431	528,728

(i) The Group's share of the net unrealised loss on listed investment represents Syngene's 3.18% (2010: 5.98%) 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 21(b)(iv)).

(c) Fair value of investment in listed associate

The Group ceased the application of equity accounting for Antisense Therapeutics Limited in the previous financial year on 24 May 2010 and has accounted for this investment as an available for sale financial asset per AASB 139: *Financial Instruments: Recognition and Measurement*. The fair value of the Group's investment in Antisense Therapeutics Limited, on the cessation of equity accounting was \$1,324,784.

(d) Share of associates' commitments - Equity accounting only

Syngene Limited has no commitments for the current reporting period (2010: Nil).

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. Non-Current Assets - Investments in Associates (continued)

(e) Summarised financial information

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

	2011 \$	2010 \$
Extract from associates' statement of financial position:		
Current assets	759,810	917,544
Non-current assets	529,141	393,372
	1,288,951	1,310,916
Current liabilities	113,640	63,328
Non-current liabilities	11,010	-
	124,650	63,328
Net assets	1,164,301	1,247,588
Share of associates' net assets	493,431	528,728
Extract from the associates' statement of comprehensive income:		
Revenue	265,325	1,545,602
Net profit/(loss)	73,607	(1,414,568)
Share of the associates' profit or loss accounted for using the equity method:		
Profit before income tax	76,598	168,681
Income tax (expense)/benefit	(45,403)	(189,122)
Profit/(loss) after income tax	31,195	(20,441)

(f) Contingent liabilities of associates

The associates have no contingent liabilities at year end.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
15. Parent entity information		
(a) Information relating to Circadian Technologies Limited:		
Current assets	20,556,751	28,766,870
Total assets	62,007,942	64,835,044
Current liabilities	821,558	851,375
Total liabilities	1,879,954	4,346,544
Issued capital	38,374,094	38,374,094
Retained earnings	19,148,149	19,855,530
Asset revaluation reserve	734,407	734,407
Option reserve	19	19
Employee equity benefits reserve	1,755,722	1,524,450
Net unrealised gains reserve	115,597	-
Total shareholders' equity	60,127,988	60,488,500
Loss of the parent entity	(707,382)	(482,035)
Other comprehensive income	33,310	-
Total comprehensive loss of the parent entity	(674,072)	(482,035)

(b) Parent entity contractual commitments for acquisition of property, plant and equipment

The parent entity does not have any contractual commitments for the acquisition of property, plant and equipment for the year ended 30 June 2011 (2010: Nil).

(c) Parent entity contingent liabilities

The parent entity does not have any contingent liabilities for the year ended 30 June 2011 (2010: Nil).

(d) Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has provided a written guarantee to all its controlled entities that it will continue to provide sufficient funds to enable them to meet their commitments and contingencies for the next twelve months. These controlled entities are disclosed in note 24(a).

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
16. Non-Current Assets - Plant and Equipment		
Equipment and furniture at cost		
Opening balance	228,986	218,897
Additions	76,878	17,015
Disposals	(67,777)	(6,926)
Closing balance	238,087	228,986
Accumulated depreciation		
Opening balance	180,474	158,122
Depreciation for the year	27,786	28,111
Disposals	(62,638)	(5,759)
Closing balance	145,622	180,474
Net carrying amount	92,465	48,512
Leasehold improvements at cost		
Opening balance	79,478	79,478
Additions	-	-
Closing balance	79,478	79,478
Accumulated depreciation		
Opening balance	74,139	73,661
Depreciation for the year	299	478
Closing balance	74,438	74,139
Net carrying amount	5,040	5,339
Total plant and equipment, net	97,505	53,851
17. Current Liabilities - Payables		
Creditors (unsecured) (i)	1,996,429	2,117,930
Income received in advance	183,482	202,522
PAYG tax liability	49,834	57,898
With-holding tax payable	9,437	11,673
	2,239,182	2,390,023

(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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
18. Current Liabilities - Provisions		
Annual leave	196,651	173,020
Long service leave	-	-
	196,651	173,020

19. Non-Current Liabilities - Provisions

Long service leave	52,950	34,552
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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.

20. Contributed Equity

(a) Ordinary shares

Issued and fully paid at 30 June	38,374,094	38,374,094
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Movement in ordinary shares:

Opening balance	38,374,094	38,374,094
Issue of shares (i)	958,650	-
Deferred share issue (i)	(958,650)	-
	38,374,094	38,374,094

Ordinary shares on issue:

	No:	No:
Opening balance	45,241,928	45,241,928
Issue of shares (i)	1,155,000	-
	46,396,928	45,241,928

(b) Deferred shares on issue:

Opening balance	1,155,000	1,155,000
Shares issued (i)	(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 first business day after the second anniversary of the date of Circadian's acquisition of LICR's and Licentia's interests in Vegenics (i.e. 16 August 2010). The value of the shares that were issued was \$958,650.

Share options:

The company has a 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 and a Conditional Rights Scheme, which was established to offer eligible employees conditional rights to a specified number of Circadian shares subject to certain milestones (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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
21. Retained Earnings and Reserves		
(a) Movements in retained earnings were as follows:		
Balance at 1 July	(2,981,272)	3,967,224
Net loss for the period	(10,265,346)	(6,948,496)
Balance at 30 June	(13,246,618)	(2,981,272)
(b) Reserves		
Asset revaluation reserve (i)	734,407	734,407
Option reserve (ii)	19	19
Contributed capital of associate reserve (iii)	1,180,872	1,180,872
Net unrealised gains reserve (iv)	197,820	159,667
Employee equity benefits reserve (v)	1,755,722	1,524,450
Equity reserve attributable to parent (vi)	(7,172,143)	(7,172,143)
Total reserves	(3,303,303)	(3,572,728)
<i>(i) Movement in asset revaluation reserve:</i>		
Opening and closing balance	734,407	734,407
<i>(ii) Movement in option reserve:</i>		
Opening and closing balance	19	19
<i>(iii) Movement in contributed capital of associate reserve:</i>		
Opening balance	1,180,872	1,053,119
Investment in associate (note 14)		
- Gain on new share issue by associate	-	114,975
- Share of movement in equity reserve	-	12,778
Closing balance	1,180,872	1,180,872
<i>(iv) Movement in net unrealised gains reserve:</i>		
Opening balance	159,667	527,707
- Net gains on non-current listed investments for the period	184,759	82,287
Tax effect on above net gains (note 9)	(80,114)	-
Share of associate's net unrealised loss	(66,492)	(450,327)
Net gains/(losses) on non-current listed investments for the period after tax	38,153	(368,040)
Closing balance	197,820	159,667

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
21. Retained Earnings and Reserves (continued)		
(b) Reserves (continued)		
<i>(v) Movement in employee equity benefits reserve:</i>		
Opening balance	1,524,450	1,264,570
Share based payments expense (note 8(c))	231,272	259,880
Closing balance	<u>1,755,722</u>	<u>1,524,450</u>
<i>(vi) Movement in equity reserve attributable to parent:</i>		
Opening and closing balance	<u>(7,172,143)</u>	<u>(7,172,143)</u>

(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 associate'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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
22. Cash Flow Statement Reconciliation		
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(10,265,346)	(6,948,240)
Adjustments for:		
Depreciation	28,085	28,589
Net loss on disposal of non-current assets	3,730	1,167
Net profit on disposal of investments	(15,274)	(13,899)
Gain on cessation of equity accounting	-	(2,839,768)
Employee benefits expense	231,272	259,880
Share of associates' net (profits)/losses	(31,195)	20,441
Impairment losses on non-current financial investments	611,439	1,793,554
Write back of loan to associate	-	(629,987)
Net exchange differences	273,572	(16,513)
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	(8,514)	41,401
Decrease/(increase) in interest receivable	8,080	(3,005)
Decrease in other receivables	47,097	146,690
(Decrease)/increase in payables	(150,827)	321,147
Increase/(decrease) in employee provisions	42,029	(952)
(Increase)/decrease in deferred tax assets	(143,905)	107,745
(Decrease)/increase in deferred tax liabilities	(45,808)	1,757
Net cash used in operating activities	(9,415,565)	(7,729,993)
(b) Non-cash financing and investing activities		
Share-based payments expense (note 26)	231,272	259,880
	231,272	259,880
(c) Disclosure of investing activities		
Refer to notes 13 and 24.		

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

23. Research and development expenses

23(a). Interests in Joint Venture Operations on Research and Development

Parties	Pharmaceutical Research and Development Project	Share of Project Income (i)		Loss Contributed (ii)	
		2011 %	2010 %	2011 \$	2010 \$
Polychip Pharmaceuticals Pty Ltd and Monash University	Dicarba Analogues	50	50	80,000	-
Cancer Therapeutics Pty Ltd and Monash University	Peptide-Based Cancer Vaccine	75	75	-	39,038
				80,000	39,038

23(b). Other non-joint venture operations on Research and Development

Other non-joint venture research project costs (iii)	6,490,095	4,256,296
	6,570,095	4,295,334

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

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

(iii) 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.

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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24. Related Party Disclosures

(a) Subsidiaries

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

Name of company	Book value of parent entity investment and % equity interest			
	2011		2010	
	\$	%	\$	%
Circadian Ocular Oy	-	100	-	-
Circadian Pharmaceuticals (Aust) Pty Ltd (iv)	-	100	-	100
Circadian Shareholdings Pty Ltd (i)	1	100	-	-
Precision Patchclamps (Int) Pty Ltd (iv)	-	100	-	100
Polychip Pharmaceuticals Pty Ltd	2,064,929	100	2,121,620	100
Fibre Optics (Aust) Pty Ltd (iv)	-	100	2,415,737	100
Cancer Therapeutics Pty Ltd (ii)	-	100	-	100
Neuro Therapeutics Limited (iv)	-	100	-	100
Vegenics Pty Ltd (iii)	27,949,955	100	27,451,308	100
	30,014,885		31,988,665	

(i) Circadian Shareholdings Pty Ltd was incorporated on 24 February 2011 as trustee for the employee Conditional Rights Scheme. Refer to note 26.

(ii) Cancer Therapeutics Pty Ltd was previously known as Cancer Therapeutics Limited. The entity changed its status on 18 February 2011.

(iii) Vegenics Pty Ltd was previously known as Vegenics Limited. The entity changed its status on 8 October 2010.

(iv) These entities were deregistered in the current financial year, as they have been dormant for several years. There has been no financial impact on the Group as a result of the deregistrations.

Circadian Technologies Limited is the ultimate parent entity.

All subsidiaries were incorporated in Australia, except for Circadian Ocular Oy (incorporated in Finland in the current financial year) and have the same financial year as Circadian Technologies Limited.

As at 30 June 2011, 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 \$203,621 (2010: \$374,101) was recognised in profit or loss during the current 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 months is contained within the Operations Report.

(b) Transactions with related parties

(i) Loans receivable from subsidiaries of \$10,753,519 (2010: \$3,998,747) 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 \$594,817 (2010: \$350,597) 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 AASB 139 *Financial Instruments: Recognition and Measurement* (see note 2 (g)).

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24. Related Party Disclosures (continued)

(b) Transactions with related parties (continued)

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

	2011 \$	2010 \$
Subsidiaries		
Vegenics Pty Ltd	10,753,519	3,998,747

The loan which has been advanced to Vegenics Pty Ltd 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 loan which has been provided to Cancer Therapeutics Pty Ltd has a nil recoverable value. The amortised value of the loan to Cancer Therapeutics Pty Ltd was \$3,473,533 (2010: \$3,474,022), of which \$489 was reversed from impairment in 2011 (2010: impaired \$6,272). The loan to Neuro Therapeutics Limited of \$2,452,303 was forgiven on 15 February 2011 as resolved by the Board.

- (ii) The amortised value of the loans payable to subsidiaries of \$930,037 (2010: \$3,418,999) are non-interest bearing, unsecured and have no fixed terms of repayment of principal (repayments is 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 \$62,813 was incurred by the parent during the year (2010: \$184,593) due to the discounting of the loans and use of the effective interest method in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* (see note 2 (t)).

The amounts are owed to the following companies:

	2011 \$	2010 \$
Subsidiaries		
Precision Patchclamps (Int) Pty Ltd	-	67,558
Circadian Pharmaceuticals (Aust) Pty Ltd	-	88,251
Polychip Pharmaceuticals Pty Ltd	930,037	1,081,050
Fibre Optics (Aust) Pty Ltd	-	2,182,140
	930,037	3,418,999

The loans to the parent from Precision Patchclamps (Int) Pty Ltd and Circadian Pharmaceuticals (Aust) Pty Ltd were forgiven on 15 February 2011 as resolved by their respective Boards. The subsidiaries have since been deregistered.

The loan to the parent from Fibre Optics (Aust) Pty Ltd was forgiven on 21 June 2011 and the subsidiary has since been deregistered.

The loans forgiven resulted in income of \$3,124,080 (2010: nil) in the parent entity.

- (iii) In accordance with a management services agreement between Circadian and Vegenics Pty Ltd, Circadian charged Vegenics \$2,520,000 (2010: \$2,520,000) for the provision of management and related support services by Circadian.

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

25. Key Management Personnel

(a) Compensation of Key Management Personnel

	2011 \$	2010 \$
Short-term employee benefits	1,658,559	1,716,033
Post employment benefits	125,401	144,290
Long-term benefits	-	-
Termination benefits	-	98,230
Share-based payments expense	177,314	191,292
Total compensation	1,961,274	2,149,845

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

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25. Key Management Personnel (continued)

(b) Options and rights held by 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	2011	1,000,000	520,000	-	-	1,520,000	1,000,000	520,000
	2010	1,000,000	-	-	-	1,000,000	-	1,000,000
Other Executives								
M. Baldwin	2011	200,000	200,000	-	-	400,000	-	400,000
	2010	200,000	-	-	-	200,000	-	200,000
M. Gerometta	2011	100,000	160,000	-	-	260,000	-	260,000
	2010	100,000	-	-	-	100,000	-	100,000
M. Sullivan	2011	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-
R. Chadwick	2011	160,000	180,000	-	-	340,000	-	340,000
	2010	160,000	-	-	-	160,000	-	160,000
Total	2011	1,460,000	1,060,000	-	-	2,520,000	1,000,000	1,520,000
	2010	1,460,000	-	-	-	1,460,000	-	1,460,000

* 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). Conditional rights were granted during the current financial period. The rights will become exercisable on achievement of certain milestones. Refer to note 26 (b) (ii) for details of the Conditional Rights Scheme.

(c) Shareholdings of Key Management Personnel (Consolidated)

Ordinary shares held in Circadian Technologies Limited (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	2011	124,481	-	-	73,038	197,519
	2010	85,481	-	-	39,000	124,481
D. Fisher	2011	117,500	-	-	-	117,500
	2010	117,500	-	-	-	117,500
D. Clarke	2011	80,000	-	-	-	80,000
	2010	80,000	-	-	-	80,000
T. McMeckan	2011	30,000	-	-	8,773	38,773
	2010	20,000	-	-	10,000	30,000
C. Montagner	2011	22,058	-	-	-	22,058
	2010	-	-	-	22,058	22,058
J. Skipper	2011	-	-	-	-	-
	2010	-	-	-	-	-
E. Malta	2011	50,000	-	-	-	50,000
	2010	-	-	-	50,000	50,000
Executives						
M. Baldwin	2011	-	-	-	-	-
	2010	-	-	-	-	-
M. Gerometta	2011	-	-	-	-	-
	2010	-	-	-	-	-
M. Sullivan	2011	-	-	-	-	-
	2010	-	-	-	-	-
R. Chadwick	2011	-	-	-	-	-
	2010	-	-	-	-	-
Total	2011	424,039	-	-	81,811	505,850
	2010	302,981	-	-	121,058	424,039

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25. Key Management Personnel (continued)

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 that 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 (2010: \$46,000) 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 \$63,570 (2010: \$46,800) were incurred during the year by Vegenics Limited for facilities provided by LICR.
- (iii) Legal fees, including miscellaneous expenses, totalling \$87,315 (2010 \$140,129) 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:

	2011 \$	2010 \$
Assets and liabilities:		
<i>Current assets</i>	-	-
<i>Non-current assets</i>	-	-
	-	-
<i>Current liabilities</i>		
Payables	2,758	29,427
<i>Non-current liabilities</i>	-	-
	2,758	29,427
Revenues and expenses:		
Administrative expenses	133,315	186,129
Research & development expenses	63,570	46,800
	196,885	232,929

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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:

	2011 \$	2010 \$
Expense arising from equity-settled share-based payment transactions (note 8(c))	231,272	259,880

Circadian currently operates two share based-payment plans; the Option Plan and the Conditional Rights Scheme. These are described below. There have been no cancellations or modifications to the existing Options Plan.

A new Conditional Rights Scheme was introduced on 4 March 2011 which enables eligible employees to be awarded shares which are equity settled, when certain milestones have been met by the Group. This will replace the Option Plan and no more new options will be granted under the existing plan. Refer to note 26(b)(ii).

(b) Types of share-based payment plans

(i) Senior Management Option Plan (Option Plan)

Share options were granted to executive directors and certain employees under this plan. There will be no more new options issued to executives and senior management under this Option Plan.

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 Technologies Limited. All options issued have market performance conditions so as to align shareholder return and reward for the Company's key management personnel.

The Option Plan was implemented to offer options which are subject to performance hurdles in January 2007. The options issued to employees (including senior executives) in 2007, 2008, and 2009 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 5 years of grant date; 2008, 2009 and 2010 options within approximately 4 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 Price (VWAP) 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).

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(ii) Conditional Rights Scheme

The Scheme was established on 4 March 2011 to offer eligible employees conditional rights to a specified number of Circadian shares subject to certain milestones. These shares are equity settled at no cost to the employees once the milestones are met. The contractual life of the rights is four years. Employees who have obtained three months of satisfactory service with the Group as at 1 October 2010 are eligible to participate in the Scheme.

Once the milestones have been met and the share rights exercised, the Circadian shares will be issued to the Scheme Trustee to be held on the employee's behalf.

When an employee ceases employment with the Group before the share rights have vested, other than death, total and permanent disablement and redundancy, the entitlement to the rights will lapse and the share rights will cease. The employee will not be entitled to any compensation in respect of those rights which are forfeited.

If employment ceases with the Group after all of the conditions attaching to the rights are satisfied, these rights can be retained, exercised and the shares withdrawn from the Scheme.

The exercise of the rights is conditional on the Group achieving the following conditions (milestones):

Milestone 1

- 33% of the rights will vest if either of the following occurs within 18 months:
 - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed and annualised royalty income exceeds \$2 million.

Milestone 2

- 67% of the rights will vest if any three of the following occurs within 36 months:
 - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
 - the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.50 within 90 days of the date of the offer, which is 4 March 2011;
 - 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 exceeding \$5 million.

Milestone 3

- 100% of the rights will vest if any three of the following occurs within 48 months:
 - if the Board determines that a material commercial licensing, joint venture, partnering or similar agreement is entered into and completed;
 - the share price based on a 10 day Volume Weighted Average Price (VWAP) at any time exceeds \$1.75 within 90 days of the date of the offer, which is 4 March 2011;
 - 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 exceeding \$7.5 million.
- 100 % of the rights will also vest and are able to be exercised if:
 - the 10 day VWAP of Circadian shares is not less than \$1.75 at any time;
 - in the event of a sale, merger or takeover, or other similar event as determined by the Board, the offer price per share exceeds:
 - (i) \$1.30 per share, within the 12 months of the offer date which is 4 March 2011
 - (ii) \$1.50 per share, within the 24 months of the offer date
 - (iii) \$1.75 per share, within the 36 months of the offer date
 - (iv) \$2.00 per share, within the 48 months of the offer date
 - if all of the events for *Milestone 3* occur within 48 months of the offer date

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

26. Share-based payment plans (continued)

(c) Summary of options/rights granted

The following table illustrates the number and movements in share options and rights during the current year:

2011

Date of issue	22/03/2011 (ii)	26/06/2009 (i)	15/12/2008 (i)	15/09/2008 (i)	18/02/2008 (i)	9/03/2007 (i)	8/02/2007 (i)
On issue at the beginning of the year	-	100,000	100,000	881,667	500,000	99,305	1,367,694
Granted during the year	1,560,000	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-
Forfeited during the year	-	(22,856)	-	(100,685)	-	-	-
Outstanding at the end of the year	1,560,000	77,144	100,000	780,982	500,000	99,305	1,367,694

2010

Date of issue	26/06/2009 (i)	15/12/2008 (i)	15/09/2008 (i)	18/02/2008 (i)	9/03/2007 (i)	8/02/2007 (i)
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	-	-	-	-	-	-
Expired 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
Exercisable at end of the year	-	-	-	-	-	-
Number of recipients	10	2	1	8	1	4
Exercise price	\$0.00	\$1.00	\$1.00	\$1.00	\$1.30	\$1.50
Exercise period from	4/09/2012	26/06/2012	15/12/2011	15/09/2011	8/02/2011	9/03/2011
To (Expiration day)	31/03/2015	26/06/2013	15/12/2012	15/09/2012	8/02/2012	9/03/2012

(i) Refer to note 26(b)(i) for a summary of the options granted.

(ii) Refer to note 26(b)(ii) for a summary of the rights granted.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

26. Share-based payment plans (continued)

(d) Pricing models for options and conditional rights granted

The following assumptions were used to derive a value for the options and rights granted using the model as specified below as at the grant date, taking into account the terms and conditions upon which the options or rights were granted.

Issue date of options/rights	22/03/2011	26/06/2009	15/12/2008	15/09/2008	18/02/2008	5/03/2007	8/02/2007
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected annual volatility	45.0%	45.0%	45.0%	45.0%	37.5%	37.5%	37.5%
Risk-free interest rate (p.a)	5.04%	5.08%	3.73%	5.43%	6.54%	5.79%	5.99%
Expected life of option/right (years)	4.0	3.5	3.5	3.5	3.5	4.5	4.5
Fair value per option/right	20.34 cents*	20.96 cents	11.28 cents	27.99 cents	24.64 cents	41.01 cents	67.45 cents
	- 25.00 cents	- 21.97 cents	- 12.06 cents	- 29.14 cents	-27.62 cents	-43.34 cents	- 68.56 cents
Exercise price per option/right	\$0.00	\$1.00	\$1.00	\$1.00	\$1.30	\$1.50	\$1.50
Share price at grant date	\$0.700	\$0.745	\$0.58	\$0.85	\$1.025	\$1.27	\$1.61
Model used	Binomial**	Monte Carlo	Monte Carlo	Monte Carlo	Hull Model [^]	Monte Carlo	Monte Carlo

* The fair value of 520,000 options is 20.34 cents which are valued effective 11 November 2010 which is the date that shareholders approved the issue of conditional rights to R Klupacs at the Annual General Meeting. Refer to the Remuneration Report section of the Directors' Report.

** The Binomial model is implemented by defining the upper and lower values of the stock over discrete periods of time. Under the assumption of no dividends, the Binomial model approximates to the Black-Scholes model.

[^] The Hull Model is a barrier option model which is derived using a closed-form formula not dissimilar to the Black-Scholes formula.

For the options issued, from 2007 onwards, the 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.

For the rights issued in 2011, the life was based on the expiry date quoted on the Performance Rights Certificates of the rights granted.

The expected volatility is calculated using historic share returns. These periods differed in each financial year. For those rights granted in 2011, this was a period of two years, 2010 and 2009 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 Technologies Limited are not listed and as such, do not have an externally verifiable price.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$

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 2011, the commitment for 6 months rent would have amounted to \$55,840 (2010: \$55,840). Additionally the group has entered into a rental agreement on office equipment for 4 years from 7 July 2011, the commitment within 1 year is \$3,396 and after 1 year but not more than 5 years is \$10,188 and is included in the schedule below.

Within one year	109,874	96,687
After one year but not more than five years	10,188	111,680
	120,062	208,367

(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:

Within one year	960,820	3,312,359
After one year but not more than five years	749,895	946,437
After more than five years	398,169	233,454
	2,108,884	4,492,250

28. Contingencies

- (i) Vegenics Pty Ltd *, a wholly owned 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 \$732,581 (2010: \$100,000) and those which could become payable in more than one year total \$10,469,015 (2010: Nil).

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.

* Vegenics Pty Ltd was formerly known as Vegenics Limited. The entity changed its status on 8 October 2010.

- (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.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

29. Events after the balance sheet date

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

30. Auditors' remuneration

The auditor of Circadian Technologies Limited is Ernst & Young.
Amounts received or due and receivable by Ernst & Young (Australia)
for:

	2011 \$	2010 \$
- an audit or review of the financial report of the entity and any other entity in the consolidated group	92,400	97,026
- other services in relation to the entity and any other entity in the consolidated group		
- tax compliance	15,880	15,000
- other tax services	24,440	13,870
- assurance related	-	-
	132,720	125,896

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

Directors' declaration

In accordance with a resolution of the directors of Circadian Technologies Limited, we state that:

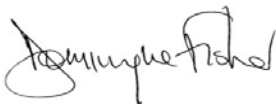
1. In the opinion of the directors:
 - (a) the financial report, and the remuneration report included in the directors' report of the Company and of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2011 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 2011.

For and on behalf of the Board:

Robert Klupacs
Director



Dominque Fisher
Director



23 August 2011

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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

Opinion

In our opinion:

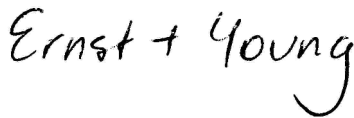
- a. the financial report of Circadian Technologies Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 16 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Circadian Technologies Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Joanne Lonergan
Partner
Melbourne
23 August 2011

OTHER INFORMATION

	Consolidated	
	2011	2010
NTA backing		
Net tangible asset backing per ordinary security	\$0.47	\$0.70
Ratios		
Consolidated net loss from ordinary activities after tax attributable to members as a percentage of equity at the end of the year	(47.0)%	(21.8)%

Status of audit of accounts

This Appendix 4E is based on accounts which have been audited. The audit report is included with the financial report which forms part of this Appendix 4E.

Annual General Meeting

The annual general meeting will be held as follows:

Place: Computershare Conference Centre
 Yarra Falls
 452 Johnston Street
 Abbotsford Victoria

Date: Thursday, 24 November 2011

Time: 11.00 am

Approximate date the
annual report will be
available: 24 October 2011