Notice of Annual General Meeting and Explanatory Memorandum

Circadian Technologies Limited
ACN 006 340 567

Date: 20 November 2012

Time: 11.00 am

Location: Computershare Conference Centre
Yarra Falls
452 Johnston Street
Abbotsford, Melbourne, Victoria

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of the Shareholders of Circadian Technologies Limited (**Company**) will be held at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria on Tuesday, 20 November 2012 at 11.00 am (**AGM**).

The Explanatory Memorandum and proxy form accompanying this Notice of AGM are incorporated in, and comprise part of, this Notice of AGM.

Ordinary Business

1. Financial statements and reports

To receive and consider:

(a) the financial report;

(b) the directors' report; and

(c) the auditor's report,

of the Company for the year ended 30 June 2012.

Note that this item of business does not require Shareholders to vote on a resolution or adopt the received reports.

2. Remuneration Report (Resolution 1)

To consider and, if thought fit, pass the following as an advisory and non-binding ordinary resolution:

'That, for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report as set out in the Annual Report for the financial year ended 30 June 2012 be adopted.'

3. Re-election of Ms Dominique Fisher as a director (Resolution 2)

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

'That Ms Dominique Fisher, a Director retiring by rotation in accordance with clause 58 of the Company's constitution, and being eligible, be re-elected as a Director of the Company.'

4. Issue of Shares to Robert Klupacs (Resolution 3)

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

'That, for the purposes of ASX Listing Rule 10.14, the Corporations Act and for all other purposes, the issue of 88,226 Shares in the capital of the Company to Mr Robert Klupacs, as detailed in the Explanatory Statement accompanying and forming part of this Notice of AGM, be approved.'

5. Subsequent approval of issue of Shares in the Company (Resolution 4)

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

'That, pursuant to ASX Listing Rule 7.4, the issue of 2,084,714 Shares by the Company, as announced to the ASX on 12 June 2012 and detailed in the Explanatory Memorandum accompanying and forming part of this Notice of AGM, be approved.'

6. Other business

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

By order of the Board

19 October 2012

Susan Madden
Company Secretary

Notes

Proxies

1. A Shareholder entitled to attend and vote at the meeting has a right to appoint a proxy to attend and vote in the Shareholder's place.

2. The proxy need not be a Shareholder of the Company.

3. Shareholders who intend to the appoint the Company's chairperson as proxy (including an appointment by default) should have regard to the important information below under the heading 'Appointing the chair as your proxy'.

4. The proxy form included in this Notice of AGM must be signed by the Shareholder or the Shareholder's attorney and, in the case of a joint holding, by each of the joint holders.

5. A Shareholder who is entitled to cast two or more votes may appoint up to two proxies to attend and vote at the meeting and, in the case of such an appointment, should specify the proportion or number of votes each proxy is appointed to exercise. If no such proportion or number is specified, each proxy may exercise half of the votes. Fractions of votes will be disregarded.

6. Where a Shareholder appoints two proxies, on a show of hands neither proxy may vote if more than one proxy attends and on a poll each proxy may only exercise votes in respect of those Shares or voting rights the proxy represents.

7. The appointment of one or more duly appointed proxies will not preclude a Shareholder from attending this meeting and voting personally. If the member votes on a resolution, the proxy must not vote as the member's proxy on that resolution.

8. Any instrument appointing a proxy in which the name of the appointee is not completed is regarded as given in favour of the chairman of the meeting.

9. In the case of joint holders of Shares, if more than one holder votes at any meeting, only the vote of the first named of the joint holders in the share register of the Company will be counted.

10. To be valid, the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged with the Share Registry - Computershare Investor Services Pty Limited at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, using the reply paid envelope supplied or by facsimile to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) as soon as possible and in any event not later than 48 hours prior to the time appointed for the meeting.

11. Proxies given by a corporation must be signed either under seal or under the hand of a duly authorised attorney. In addition, should the constitution of a corporation permit the execution of documents without using a common seal, the documents must be signed by two directors or a director and a company secretary, or for a proprietary company that has a sole director who is also a company secretary, that director.

12. If a body corporate is appointed as proxy, please write the full name of that body corporate (e.g. Company X Pty Ltd). Do not use abbreviations. The body corporate will need to ensure that it:

    (a) appoints an individual as its corporate representative to exercise its powers at meetings, in accordance with section 250D of the Corporations Act; and

    (b) provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If no such evidence is received before the meeting, then the body corporate (through its representative) will not be permitted to act as your proxy.

Body corporate representatives

- A corporation, by resolution of its directors, may authorise a person to act as its representative to vote at the meeting.
- A representative appointed by a corporation may be entitled to execute the same powers on behalf of the corporation as the corporation could exercise if it were an individual shareholder of the Company.
- To evidence the authorisation, either a certificate of body corporate representative executed by the corporation or under the hand of its attorney or an equivalent document evidencing the appointment will be required.
- The certificate or equivalent document must be produced prior to the meeting.

Appointing the chair as your proxy

The proxy form accompanying this Notice of AGM contains detailed instructions regarding how to complete the proxy form if a Shareholder wishes to appoint the chair of the meeting as his or her proxy. You should read those instructions carefully.

Resolution 1

By appointing the chair of the meeting as your proxy in relation to Resolution 1, you expressly authorise the chair to vote in favour of Resolution 1 unless:

- you expressly authorise the chair to vote against or abstain from voting on the Resolution; or
- you are a member of the KMP or a Closely Related Party of a KMP (see further the section under the heading 'Voting Exclusion and Restriction Statements' for persons who will be considered to be a KMP).

Resolution 3

By appointing the chair of the meeting as your proxy in relation to Resolution 3, you expressly authorise the chair to vote in favour of Resolution 3 unless:

- you expressly authorise the chair to vote against or abstain from voting on the Resolution; or
- you are a member of the KMP or a Closely Related Party of a KMP.

The chair intends to exercise all available proxies by voting in favour of Resolutions 1, 2, 3 and 4.

Definitions

Words that are defined in the Glossary have the same meaning when used in this Notice of AGM unless the context requires, or the definitions in the Glossary provide, otherwise.

Voting entitlements

In accordance with section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) for the purposes of the meeting, persons holding shares at 7.00 pm (Melbourne time) on 16 November 2012 will be treated as Shareholders. This means that if you are not

the registered holder of a relevant Share at that time, you will not be entitled to attend and vote in respect of that Share at the meeting.

Voting Exclusion and Restriction Statements

Resolution 1:

The Company will disregard all votes cast on Resolution 1, by or on behalf of:

(a) a KMP, details of whose remuneration are included in the Remuneration Report for the year ended 30 June 2012; or

(b) a Closely Related Party of a KMP,

whether the votes are cast as a Shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast on Resolution 1 by a KMP or a Closely Related Party of a KMP if it is cast as a proxy and it is not cast on behalf of a KMP or a Closely Related Party of a KMP and either:

(a) the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 1; or

(b) the proxy is the chair of the meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on Resolution 1 and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP for the Company or, if the Company is part of a consolidated entity, for the entity.

If you are a KMP or a Closely Related Party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of key management personnel include its directors and certain senior executives.

A Closely Related Party of a member of the key management personnel means any of the following:

- a spouse, child or dependent of the member;
- a child or dependent of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;
- a company the member controls; or
- a person prescribed by regulations (as at the date of this Notice of AGM, no additional persons have been prescribed by regulation).

Shareholders who intend to appoint the chairperson as proxy (including by default) should have regard to the important information above under the heading 'Appointing the chair as your proxy'.

Resolution 3:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in respect of Resolution 3 by:

(a) any Director or an associate of a Director; or

(b) a KMP, details of whose remuneration are included in the Remuneration Report for the year ended 30 June 2012, or a Closely Related Party of a KMP,

whether the votes are cast as a Shareholder, proxy or in any other capacity.

However, the Company need not disregard a vote if it is cast by a KMP or a Closely Related Party of a KMP if it is cast as a proxy and it is not cast on behalf of a KMP or a Closely Related Party of a KMP and either as a proxy and it is not cast on behalf of a Director and either:

(a) the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 3; or

(b) the proxy is the chair of the meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on Resolution 3 and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP for the Company or, if the Company is part of a consolidated entity, for the entity.

Shareholders who intend to the appoint the Company's chair as proxy (including an appointment by default) should have regard to the important information above under the heading 'Appointing the chair as your proxy'.

Resolution 4:

The Company will disregard any votes cast on Resolution 4 by any of the persons, or an associate of those persons, who participated in the issue of the Shares being the subject of Resolution 4 and a person who might obtain a benefit, except a benefit solely derived in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote cast on the resolution if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Shareholders who intend to the appoint the Company's chair as proxy (including an appointment by default) should have regard to the important information above under the heading 'Appointing the chair as your proxy'.

Questions and comments by Shareholders at the meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions about or to make comments on the Company's management or its Remuneration Report for the year ended 30 June 2012 at the meeting. Similarly, a reasonable opportunity will be given to Shareholders - as a whole - to ask the Company's auditor, Deloitte Touche Tohmatsu, questions about:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also provide written questions to the auditor concerning the content of the auditor's report or the conduct of the audit of the Company's financial report for the financial year ended 30 June 2012 in advance of the meeting. Written questions must be submitted to the Company no later than 5.00pm on Tuesday 13 November 2012, and should be addressed as follows:

The Company Secretary
Circadian Technologies Limited
Level 1, 10 Wallace Avenue
Toorak VIC 3142

Explanatory Memorandum

1. Purpose of information

The purpose of this Explanatory Memorandum (which is included in and forms part of the Notice of AGM dated 19 October 2012) is to provide Shareholders with an explanation of the business of the meeting and of the resolutions to be proposed and considered at the AGM to be held on 20 November 2012, at 11.00am at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria, and to assist Shareholders to determine how they wish to vote on each resolution.

2. Financial statements and reports

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

Shareholders have been provided with all relevant information concerning the Company's financial statements, directors' report and auditor's report in the Annual Report of the Company for the year ended 30 June 2012 (**Annual Report**). A copy of the Annual Report has been forwarded to each Shareholder other than those Shareholders who have previously notified the Company that they elect not to receive the Annual Report, whether in paper form or electronically. Any Shareholder who had made this election and now wishes to receive a paper or electronic copy of the Annual Report should contact the Company's office by phone on +61 3 9826 0399 to arrange receipt. The Annual Report can also be viewed, printed and downloaded from the Company's website www.circadian.com.au. A copy of the financial statements, the directors' report and the auditor's report will also be tabled at the meeting.

Shareholders should note that the sole purpose of tabling the financial statements and the reports of the Company at the AGM is to provide the Shareholders with the opportunity to be able to ask questions or discuss matters arising from the financial statements or the reports at the meeting. It is not the purpose of the meeting that the financial statements or reports be accepted, rejected or modified in any way. Further, as it is not required by the Corporations Act, no resolution to adopt, receive or consider the Company's financial statements or reports (other than the Remuneration Report for the year ended 30 June 2012 (**Remuneration Report**)) will be put to the Shareholders at the meeting.

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

3. Remuneration Report (Resolution 1)

The directors' report for the year ended 30 June 2012 contains the Remuneration Report, which sets out the policy for remuneration of the Directors, company secretary and senior managers.

The Corporations Act requires that a resolution be put to the vote that the Remuneration Report be adopted.

The purpose of Resolution 1 is to lay before the Shareholders, the Remuneration Report so that Shareholders may ask questions about or make comments on the management of the Company in

accordance with the requirements of the Corporations Act and vote on an advisory and non-binding resolution to adopt the Remuneration Report.

The Board will consider the outcome of the vote made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

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

The vote on the resolution for adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, under the Corporations Act, if at least 25% of the votes cast on the resolution at the AGM are against adoption of the Remuneration Report, then:

- if comments are made on the Remuneration Report at the AGM, the Company's remuneration report for the financial year ending 30 June 2013 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if, at the Company's 2013 annual general meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the relevant financial year are against its adoption, the Company will be required to put to Shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of Directors (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the 2013 annual general meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

The Company encourages all Shareholders to cast their votes on Resolution 1.

The chairperson of the meeting will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

Directors' Recommendation

The Remuneration Report forms part of the Annual Report which has unanimously been adopted by resolution of the Board. The Directors have resolved in favour of the resolution and recommend it to Shareholders for adoption.

4. Re-election of Ms Dominique Fisher as director (Resolution 2)

Introduction

Clause 58 of the Company's constitution requires that at each AGM one-third of the Directors must retire from office, or if their number is not a multiple of three, then the number nearest to, but not exceeding one-third of the Directors must retire from office. Therefore, one of the three Directors must retire by rotation. Ms Dominique Fisher is the Director who has been longest in office. Ms Dominique Fisher will retire by rotation at the AGM and is eligible for re-election. Ms Dominique Fisher seeks re-appointment as a Director.

Biography of Ms Dominique Fisher

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 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, Chairman of Sky Technologies Pty Ltd, 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.

Directors' Recommendation

The Directors (other than Ms Fisher who abstains given her personal interest in this resolution) unanimously recommend that Shareholders vote in favour of Resolution 2.

The chairman of the meeting intends to vote undirected proxies in favour of the election of Ms Fisher. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

5. Issue of Shares to Robert Klupacs (Resolution 3)

Introduction

In accordance with ASX Listing Rule 10.14, Shareholder approval is being sought for the proposed issue of 88,226 Shares in the capital of the Company (**Performance Shares**) to the Company's Managing Director, Mr Robert Klupacs.

Under the Company's short term incentive plan (**Plan**), Mr Klupacs earned a performance bonus of $84,484 in the financial year ended 30 June 2012. Mr Klupacs elected to be paid his entitlement under the Plan in cash (25%) and in Performance Shares (75%). The cash component was paid to Mr Klupacs in August 2012 and, if Resolution 3 is approved, the issue of the Performance Shares will satisfy the Company's obligation to pay the remaining 75% of Mr Klupacs' entitlement (under the Plan and the terms of his employment agreement with the Company).

The following information is provided in respect of the issue of the Performance Shares to Mr Klupacs.

Short term incentive program

As set out in the Company's Remuneration Report, the remuneration of the Company's executives consists of three components - fixed remuneration (being, base salary and superannuation) and variable remuneration under short-term incentive and long-term incentive plans. The proportion of the remuneration that is fixed compared to variable differs between members of the executive management team (with the Managing Director – Mr Klupacs – being the executive with the highest variable component as part of his total remuneration package).

All payments made by the Company under the Plan are directly linked to the achievement by the Company of its operational targets for a financial year and, for each executive, the achievement of an agreed set of set individual performance measures.

In each case, the operational targets and individual performance measures (**KPIs**) are set at the beginning of the financial year. Further, the KPIs and, by direct implication, the quantum of any payment under the Plan, require performance against the KPIs that is beyond that which would ordinarily be expected of the relevant executive.

On an annual basis, after consideration of performance against KPIs, the Remuneration Committee determines the amount, if any, to be paid under the Plan to each senior executive, with payments made in the following reporting period.

In the year under review, the Company successfully achieved, within its budget and the expected time lines, many of its key business and development objectives. The Remuneration Committee determined that an award of approximately 40% of his full entitlement under the Plan was warranted in the case of Mr Robert Klupacs for the financial year ended 30 June 2012. Of the final entitlement of $84,484, the Company paid 25% in cash to Mr Klupacs in August 2012. Subject to Shareholder approval of Resolution 3, Mr Klupacs has agreed to accept the Performance Shares in payment of the remaining 75% of his entitlement under the Plan.

Terms of issue of Performance Shares

In compliance with the information requirements of ASX Listing Rule 10.15, Shareholders are advised of the following particulars in relation to the Performance Shares:

(a) Mr Robert Klupacs is Managing Director of the Company, requiring Shareholder approval to be obtained under ASX Listing Rule 10.14;

(b) Number of Performance Shares to be issued: 88,226;

(c) Issue price: 38.4 cents per Performance Share (calculated on the basis of the VWAP of Shares over 5 Trading Days until the last trade on Wednesday, 8 August 2012);

(d) The Company received Shareholder approval under ASX Listing Rule 10.14 at its annual general meeting held on 11 November 2010 in respect of the grant of 520,000 conditional rights to Mr Robert Klupacs under the Company's Employee Conditional Rights Scheme. The conditional rights are exercisable into 520,000 Shares. Exercise of the conditional rights is subject to the satisfaction of certain conditions. If those conditions are not satisfied, the conditional rights will lapse. The price payable on the exercise of the issue or exercise of each conditional right is nil. No other persons referred to in ASX Listing Rule 10.14 have previously received approval to participate in the Scheme;

(e) The Plan forms part of the Company's remuneration structure and all executives of the Company are entitled to participate;

(f) No loan is being provided to Mr Robert Klupacs in connection with the issue of the Performance Shares;

(g) A voting exclusion statement is included in the Notice of AGM to which this Explanatory Memorandum relates; and

(h) The Company intends to issue the Performance Shares to Mr Robert Klupacs immediately after receiving Shareholder approval of Resolution 3.

Directors' Recommendation

The Directors (other than Mr Robert Klupacs who abstains given his personal interest in this resolution) unanimously recommend that Shareholders vote in favour of Resolution 3.

The chairman of the meeting intends to vote undirected proxies in favour of Resolution 3. If you wish to vote “against” or “abstain” you should mark the relevant box in the attached proxy form.

6. Subsequent approval of issue of Shares in the Company (Resolution 4)

General

ASX Listing Rule 7.1 relevantly provides that the prior approval of the Shareholders of the Company is required to an issue of Equity Securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The issue of Shares the subject of Resolution 4 does not exceed the 15% limit, however, ASX Listing Rules 7.1 and 7.4 provide that, where a company in general meeting ratifies an issue of Equity Securities, the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1, thereby enabling the company to issue further Equity Securities without exceeding the 15% in 12 months limitation.

Shareholder approval is sought so as to refresh the Company's 15% equity security placement limit pursuant to ASX Listing Rule 7.1.

The information required by ASX Listing Rules 7.4 and 7.5 to be provided to Shareholders is contained within this Explanatory Statement and the Notice of AGM.

Resolution 4 of the Notice of AGM proposes the ratification of the issue of 2,084,714 Shares as announced to ASX on 12 June 2012, thereby satisfying the requirements of ASX Listing Rule 7.4.

Particulars of Share placement

In compliance with the information requirements of ASX Listing Rule 7.5, Shareholders are advised of the following particulars in relation to the placement:

(a) Number of securities issued: 2,084,714 Shares;

(b) Price at which the securities were issued: $0.49 cents per Share;

(c) The securities rank equally in all respects with the existing Shares on issue;

(d) The securities were issued to selected international and Australian based professional and/or sophisticated investors; and

(e) The funds were raised to support the ongoing development of the Company's lead human antibody against VEGF-C, VGF-100 in both the oncology and ophthalmology settings. In particular, the funds will support manufacturing costs of GMP manufactured material for Phase 2 oncology clinical trials, as well as enable the Company to continue development of its diagnostics portfolio.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

The chairperson of the meeting will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

7. How to Vote

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

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

OR 2. Attend the AGM.

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

8. Glossary

AGM or **Meeting** means the annual general meeting of the Shareholders convened by the Notice of AGM to be held at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria on Tuesday, 20 November 2012 at 11.00 am.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

ASX Listing Rules means the official listing rules of the ASX.

Annual Report means the annual report of the Company for the year ended 30 June 2012.

ASIC means Australian Securities and Investments Commission.

Board means the Board of Directors.

Closely Related Party means, in relation to a member of a KMP, any of the following:

(a) a spouse, child or dependent of the member;

(b) a child or dependant of the member's spouse;

(c) anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;

(d) a company the member controls; or

(e) a person prescribed by regulations (as at the date of this Notice of AGM, no additional persons have been prescribed by regulation).

Company means Circadian Technologies Limited ACN 006 340 567.

Corporations Act means *Corporations Act 2001* (Cth).

Directors means the directors of the Company and **Director** means any of them.

Equity Securities has the meaning given in the ASX Listing Rules.

Glossary means this glossary.

KMP means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of key management personnel include its directors and certain senior executives.

Notice of AGM means this Notice of Annual General Meeting.

Resolution means a resolution set out in the Notice of AGM.

Share means a fully paid ordinary share of the Company.

Shareholder means a holder of at least one Share.

Trading Days has the meaning given to it in the ASX Listing Rules.

VWAP means volume weighted average price.

This Explanatory Memorandum is dated 19 October 2012.

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

Circadian Technologies Ltd

ABN 32 006 340 567

⊢ 000001 000 CIR
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11.00 am Sunday 18 November 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

☑ **Review your securityholding**

☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Circadian Technologies Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Circadian Technologies Limited to be held at Computershare Conference Centre**,** Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne, Victoria 3067 on Tuesday, 20 November 2012 at 11.00 am and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1 and 3 (except where I/we have indicated a different voting intention below) even though Items 1 and 3 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For Item 3, this express authority is also subject to you marking the box in the section below.

If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1 and 3 by marking the appropriate box in step 2 below.

Important for Item 3: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Item 3 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Item 3, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in computing the required majority if a poll is called on this item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 3 of business.

☐ I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Item 3 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 1	Adoption of Remuneration Report	☐	☐	☐
Item 2	Re-election of Ms Dominique Fisher as a director	☐	☐	☐
Item 3	Issue of Shares to Robert Klupacs	☐	☐	☐
Item 4	Subsequent approval of issue of Shares in the Company	☐	☐	☐

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name _____ **Contact Daytime Telephone** _____ **Date** / /

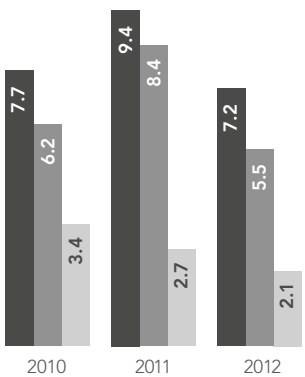
2012 ANNUAL REPORT

"We made a major advance in our development programs by transitioning from pre-clinical to clinical stage development."

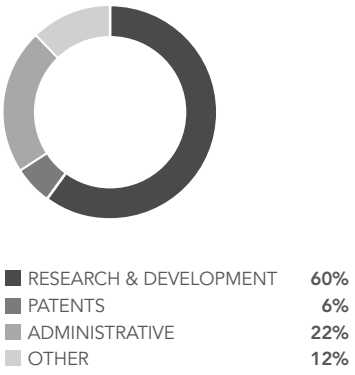
CASH AND EXPENDITURE

As of 30 June

$ Million



TOTAL OPERATING COSTS



MILESTONES

Commenced Phase 1 clinical investigations of VGX-100 used either as a monotherapy or in combination with Avastin®.

PLANNING

We identified a major opportunity for VGX-100 and with VGX-300 as treatments for age-related macular degeneration.

TECHNOLOGY

Through our partnership with Healthscope, the CUP test was launched in Australia, New Zealand, Singapore and Malaysia.

LEADERSHIP

Our collaborators at Harvard University and the University of Helsinki published data in major scientific journals identifying the key role of our technology in both the cancer and eye disease settings.

Operations Report

Dear Shareholders

We 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:

- following successful acceptance by the United States FDA of our Investigational New Drug (IND) submission, we commenced Phase I clinical investigations of VGX-100 used either as a monotherapy or in combination with Avastin® in late-stage cancer patients. These clinical studies are being conducted at two leading cancer centres in the United States and completion is expected Q1 2013;
- our development collaborator Healthscope Limited launched CUPGUIDE™, a molecular diagnostic aid for the diagnosis of Cancers of Unknown Primary Origin (CUP) in Australia, New Zealand, Singapore and Malaysia. Royalties from these sales will commence in 2012/13. Circadian also retains marketing rights for the rest of the world;
- our collaborators at Schepens Eye Research Institute at Harvard University published data in a leading ophthalmology research journal showing that the inhibition of the VEGF-C/VEGFR-3 pathway had very significant therapeutic effects in mouse models of dry-eye disease (DED), further supporting the therapeutic potential of our technology in this disease;
- we entered into two further research reagent partnerships with leading international suppliers of research products;
- we increased our holding in Syngene Limited to majority ownership (51.7%) based on the transfer of jointly owned intellectual property, with Monash University, in the rapidly emerging field of peptide therapeutics as well as additional cash investment;
- we added to our internal management team with the recruitment of Dr Ian Leitch as Director, Clinical Research. Dr Leitch joined us from the US-based Amgen Inc, where he had previously been Senior Manager overseeing Amgen's Phase I and II oncology clinical studies; and
- we completed a private placement of $1.02M at a premium vWAP to sophisticated investors.

The key components of the Company's strategy continue to be:

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

We have had significant advancement in each of these areas.

ADVANCING OUR THERAPEUTIC PRODUCT PIPELINE

Advancement of the VGX-100 (VEGF-C antibody) program in oncology and eye disease

Oncology

We made a major advance in our research programs this year by transitioning from pre-clinical to clinical stage development. We successfully filed an IND with the FDA in September 2011 for our fully human monoclonal antibody, VGX-100, in oncology indications. This enabled us to commence clinical trials at two leading oncology centres in the United States and to start enrolling patients with advanced or metastatic solid tumours in January 2012.

The first in human clinical investigations will include approximately 40 patients in two dose escalation arms evaluating VGX-100 monotherapy (Arm A) and the combination of VGX-100 with the FDA approved drug Avastin® (Arm B). The primary objective is to establish the safety profile and optimal biological dose of VGX-100 alone and when combined with Avastin®. Secondary objectives include determination of anti-tumour responses, biomarker activity and the pharmacokinetics of VGX-100. The study is not yet complete but is progressing according to plan.

We expect initial clinical data with VGX-100 to be available in the second half of 2012, with results expected to be presented at major cancer clinical research conferences in 2013.

A number of international pharmaceutical and biotechnology companies have expressed interest in the partnering of ongoing development of VGX-100 in oncology indications. Discussions with these parties are continuing.

We are targeting the following key events for the next 12–18 months:

- completion of Phase I studies of VGX-100 in cancer patients;
- commencement of Phase II studies with VGX-100 in selected solid tumour indications; and
- a product development partnership for VGX-100 in oncology indications.

Eye disease

In addition to pursuing our ongoing activities in front-of-eye disease, during the year we identified, after consultation with retinal specialists throughout the world, that our technology, particularly VGX-100 and VGX-300, has the potential to become an effective treatment for patients with age-related macular degeneration (AMD) who have become resistant to existing treatments such as Avastin® or Lucentis®.

AMD is a medical condition that usually affects older adults and results in a loss of vision in the centre of the visual field (the macula) because of damage to the retina. The macula is the central region of the retina and provides the most detailed vision. AMD occurs in "dry" and "wet" (or neovascular) forms and is a major cause of blindness and visual impairment in older adults (>50 years). Macular degeneration can make it difficult or impossible to read or recognise faces, although enough peripheral vision remains to allow other activities of daily life.

We identified, after consultation with retinal specialists throughout the world, that our technology, particularly VGX-100 and VGX-300, has the potential to become an effective treatment for patients with age-related macular degeneration (AMD).

The wet form of advanced AMD (also known as neovascular or exudative AMD) causes vision loss due to abnormal blood vessel growth (choroidal neovascularisation) in the choriocapillaris, ultimately leading to blood and protein leakage below the macula. Bleeding, leaking and scarring from these blood vessels eventually cause irreversible damage to the photoreceptors and rapid vision loss if left untreated. It is estimated that only about 10% of patients suffering from macular degeneration have the wet type.

The proliferation of abnormal blood vessels in the retina is stimulated by VEGF. Anti-angiogenics or anti-VEGF agents can cause regression of the abnormal blood vessels and improve vision when injected directly into the vitreous humor of the eye. The injections must be repeated monthly or bi-monthly. Several anti-angiogenic drugs have been approved for use in the eye by the FDA and regulatory agencies in other countries.

At present, AMD is estimated to affect 1.75 million people in the United States, with approximately 200,000 new cases diagnosed each year. Despite the availability of Lucentis® and, recently, Eylea® as anti-VEGF-A agents, there remains an unmet need for choroidal neovascularisation (CNV) retinal treatments that can:

- treat anti-VEGF-A non-responders (30–50% of all patients);
- prevent progression of CNV;
- reduce frequency of interventions; and
- reduce side-effects.

Recently published studies (Tammela *et al.*, *Nature Cell Biology*, 2011) have indicated that VEGF-C may act as an alternative stimulus to VEGF-A for resistant patients.

We are currently evaluating VGX-100 and VGX-300 in industry-accepted animal models of AMD, with initial results expected in Q4 2012.

In respect of front-of-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 invasion of blood vessels into the cornea.

Our collaborators have previously 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.

During the year, Schepens scientists published data in the leading ophthalmology research journal *Archives of Ophthalmology* entitled "Blockade of Prolymphangiogenic Vascular Endothelial Growth Factor C in Dry Eye Disease" (*Arch Opthamol*. Dol:10.1001/archopthamol.2011.266), showing that VGX-100 significantly reduced inflammation and corneal tissue damage associated with dry-eye disease (DED). The published data indicates a major new therapeutic opportunity for our technology in the DED setting.

DED is a complex, immune-mediated disorder of the ocular surface that has multiple causes and affects about 5 million Americans above the age of 50 years. It is estimated that 10% of Australians will suffer from the condition at some point in their lives.

We are currently exploring various formulations of VGX-100 as well as VGX-300 to enable development as a topically administered agent(s) in DED.

At the present time, we have prioritised DED therapeutic development over corneal allograft rejection in our front-of-eye therapeutic development program.

We are targeting the following key events for the next 12–18 months:

- continuing to generate proof of principal of efficacy of VGX-100 and VGX-300 in animal models of eye disease;
- filing of an IND for VGX-100 or VGX-300 to enable clinical trials in AMD patients; and
- successful development of topical formulation of VGX-100 and/or VGX-300 to enable development as a therapy for dry-eye disease.

Licensed therapeutics

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 that 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 licence fees and royalties on potential future product sales.

We were proud to announce the launch of the CUP test by Healthscope under the brand name CUPGUIDE™.

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 Lymphatix 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 the clinical development of VEGF-D gene to improve heart muscle function post infarct. In May 2012, Ark announced that the initial Phase I dose ranging phase of the study had been concluded and that this study will now progress to a controlled Phase II stage at the selected dose. The first patient is expected to be enrolled in a Phase IIa clinical trial in Q3 of 2012.

DIAGNOSTICS AND REAGENTS

Cancer of Unknown Primary (CUP) origin diagnostic

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. 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 leukaemia and is the fourth most common cause of cancer deaths in Australia. CUP refers to a complex form of cancer in which the site of origin of a tumour cannot be identified using standard techniques. The inability to identify a primary site of cancer poses many challenges, given that the primary site of cancer usually dictates the treatment, expected outcome and overall survival.

Healthscope, in collaboration with Circadian, Peter MacCallum Cancer Centre and NICTA, has continued to invest considerable time and effort into the development of this product.

We announced in October 2011 that Healthscope had commenced a clinical "beta" study of the test and, in March 2012, we published details of the test performance. We published that the CUP test was able to detect the actual primary source of tumour type with 93% accuracy within the first three predictions and had 98.5% specificity across 15 different tumour types.

We were proud to subsequently announce post year end the launch of the CUP test by Healthscope under the brand name CUPGUIDE™ on 16 July 2012. We expect royalties to flow from Healthscope sales from H1 2013 onward.

Circadian retains all rights to the CUP test throughout the remainder of the world. We are currently working with our partners to generate further data to support filings for FDA registration and European CE marking in the next 12–18 months and in parallel seeking marketing partnerships for these territories.

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 United States 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 hold 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 30s 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), 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 United States are now ordering this test through the Translational Trials Development and Support Laboratory of Cincinnati Children's Hospital Medical Center. While the test numbers remain small, they have grown considerably over the financial year. We expect continuing growth in test numbers as the use of VEGF-D testing becomes a routine procedure endorsed by increasing numbers of key opinion leaders and the continuing flow of scientific publications confirming the validity of using VEGF-D testing in the clinical setting.

Throughout the year, there were a number of scientific publications published implicating VEGF-D as a biomarker that could be used to monitor ongoing efficacy of certain classes of drugs known as mTOR inhibitors, as well as implicating VEGF-D as a biomarker for certain types of autoimmune diseases. We have opened a series of collaborations with groups around the world to generate data to support the further use of VEGF-D diagnostics in these settings.

Research reagents

We have existing non-exclusive licensing relationships in place with a number of the world's leading research reagent suppliers to provide VEGF-C/D/R3 related reagents. These relationships include R&D Systems Inc, Millipore-Merck, Perkin Elmer and Reliatech GmbH. During the year, we entered into two further relationships with leading players, the identities of which are commercial in confidence until products are launched in the next few months.

All of these relationships provide for upfront payments as well as royalty on sales. Royalty income from these relationships increased in the period and we expect a significant increase over 2012/13.

Next 12–18 months

In terms of our diagnostics and reagents business, we are aiming to achieve product development and marketing partnerships for CUP test in the northern hemisphere, to have expanded the number of entities distributing our licensed research reagents worldwide and to have developed appropriate data packages to seek registration of our VEGF-C and/or VEGF-D clinical diagnostic products in major territories.

SYNGENE LIMITED

Since 2001, Circadian has owned 42.8% of Syngene Limited. Syngene's major business was initially as a holding company for Antisense Limited shareholdings.

During the year, we changed the business model of Syngene to become a development company for unique peptide therapeutic technology originally developed by Dr Andrea Robinson of Monash University's Department of Chemistry – development of which had been supported by Circadian since 2006. Syngene has also increased the number its spread of investments to include other ASX listed biotech companies.

The underlying intellectual property assets in respect of the peptide therapeutic technology, which includes three granted US patents, were assigned into Syngene in return for equity grants to Circadian and Monash. As a result of this transaction, Circadian increased its ownership in Syngene to 51.7%. As at June 30 2012, Syngene had cash assets of $630,460 and investments in ASX listed biotech companies worth $1,071,804.

Syngene is currently undertaking pre-clinical studies on modified forms of insulin and insulin analogues in collaboration with groups across Australia. Initial results have indicated that Syngene's technology is capable of significantly improving the stability of insulin and long- and short-acting forms of insulin, without loss of activity in vitro or in vivo. The data is now being confirmed in larger animal models and we are currently developing large-scale production processes to enable formal pre-clinical studies to be undertaken.

Over the next 12–18 months, Syngene is targeting the completion of at least one major development partnership for aspects of its modified peptide therapeutic platform.

CAPITAL RAISING

In June 2012, we took advantage of an opportunity to make a share placement totalling $1.02M to international and Australian-based institutional and sophisticated investors. The private placement of 2,084,714 fully paid ordinary shares (being equal to 4.5% of Circadian's current issued capital) was made at an issue price of $0.49c. This was a 7% premium to the volume weighted average share price over the 30 days prior to the placement date. The funds raised are being utilised to support the ongoing development of our lead human antibody VGX-100 in both the oncology and ophthalmology settings.

OUTLOOK NEXT 12–24 MONTHS

Circadian believes that we have enormous value in our intellectual property and product development assets, which are yet to be recognised by the markets.

We strongly believe that the achievement of the goals we have set out for each of the parts of our business – namely oncology, eye disease, diagnostics and reagents as well as the ongoing activities in Syngene – will, in as cost-effective and timely manner as possible, finally achieve this recognition.

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

- completion of Phase I clinical trials with VGX-100 in cancer patients;
- commencement of Phase II clinical trials with VGX-100 in cancer patients;
- a product development partnership for VGX-100 in oncology indications;
- the generation of proof of principal of efficacy of VGX-100 and VGX-300 in animal models of age-related macular degeneration (AMD);

› filing of an IND for VGX-100 or VGX-300 to enable clinical trials in AMD patients;

› successful development of topical formulation of VGX-100 and/or VGX-300 to enable development as a therapy for dry-eye disease;

› the filing of applications with the FDA to support registration of our molecular diagnostic as an aid in the diagnosis of Cancers of Unknown Primary origin (CUP);

› a product development and marketing partnership for CUP in the northern hemisphere;

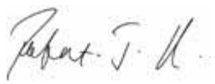
› developing further data for the use of VEGF-D as a clinical diagnostic test in a range of disease settings and filing of applications with the FDA to support registration as a clinical diagnostic in these settings;

› the expansion of the number of licensed research reagent relationships with consequent increase in licence fee and royalty income;

› completion of initial proof of principal experiments with modified insulins and other peptide therapeutic molecules and subsequent development partnerships with third parties; and

› identifying and acquiring complementary molecular diagnostic assets to build critical mass in this area.

In addition, we will be seeking to improve our balance sheet and cash flows through appropriate avenues, particularly through non-dilutive means.



Robert Klupacs
Managing Director and
Chief Executive Officer
22 August 2012

OUR STRATEGY

Our strategy continues to be focused on developing new biological antibody and protein therapeutic products based on our extensive intellectual property (IP) and know-how relating to Vascular Endothelial Growth Factors (VEGF) C, D and R3.

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

Our business objectives are to:

› continue to drive the development of our current VGX-100 and VGX-300 cancer and eye disease 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.

OUR PRODUCT PIPELINE

Circadian's product pipeline comprises:

› drug-development programs

  – including two 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 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 towards tumours. Studies by Circadian's scientists and its collaborators have shown that VEGFR-3 also plays an essential role in lymphatic vessel development. These studies have led to a surge of interest in VEGF-C, VEGF-D and VEGFR-3 as potential new targets for anti-cancer therapy.

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.

We expect initial clinical data with VGX-100 to be available in the second half of 2012, with results expected to be presented at major cancer clinical research conferences in 2013.

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, 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 2012.

Management Team

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

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 subsidiary 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.

MIKE GEROMETTA, PhD
HEAD OF CMC DEVELOPMENT

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

MARK SULLIVAN, BSc
HEAD OF DEVELOPMENT

Mark Sullivan has 20 years' experience in the development of small molecules, therapeutic and prophylactic vaccines and microbicides. He is the founder and Director of Medicines Development and was formerly with Glaxo/GlaxoWellcome (now GSK) in London for 10 years, Gilead Sciences in San Francisco for two years and University of New South Wales for three years. Mark has a clinical research background that encompasses first-in-man, proof-of-concept, pivotal Phase II and III studies, regulatory submission (two New Drug applications with the FDA/ Marketing Authorisation Applications through the EMEA), Phase IIIb and Phase IV. Mark has worked on three development programs that have progressed through successful registration, namely 3TC for HIV (Phases I to III) and 3TC (Phases II to IV), and adefovir dipivoxil for chronic hepatitis B (Phases III to IV), including global registration. He has led the development of prophylactic and therapeutic vaccines for HIV and both small molecule and biologics for a number of indications.

IAN LEITCH, PhD
DIRECTOR – CLINICAL RESEARCH

Ian Leitch has been Director of Clinical Research of Circadian Technologies Ltd since September 2011. He has over 15 years of research and management experience from drug discovery through clinical development in biotechnology/pharmaceutical companies. For the five years prior to joining Circadian, he was a member of the Medical Sciences group at Amgen Inc in Thousand Oaks California, involved in the development of novel therapeutics in Amgen's oncology pipeline. In his role as Senior Manager in the Early Development Oncology Therapeutic Area, he had responsibility for the oversight, design, management and execution of Phase I–II clinical studies in oncology. Prior to joining Amgen, he spent eight years at Miravant Medical Technologies in Santa Barbara, California. He held positions of increasing responsibility, including Senior Program Manager for Cardiovascular Research and Clinical Study Director for Ophthalmology. At Miravant, he managed pre-clinical efficacy studies, developed relationships with Key Opinion Leaders and designed Phase I–II clinical studies in a collaboration with the cardiovascular device company Guidant Inc. He previously held the position of NHMRC Senior Research Officer at the University of Newcastle, and was based at the John Hunter Hospital in Australia. He received his PhD from the Department of Pharmacology, Faculty of Medicine, at Monash University in 1993 and completed part of the degree at the University of California, Santa Barbara, as part of an Education Abroad Program Scholarship.

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

Megan Baldwin joined Circadian in January 2008 and is responsible for research and development of Circadian's product pipeline and team leader of Circadian's ophthalmology program. Prior to joining Circadian, she was employed at Genentech (now Roche), the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In these roles, she developed extensive commercial and scientific knowledge in the field of anti-angiogenic and oncology drug development. Megan has a scientific background of more than 15 years, focused on angiogenesis and therapeutic strategies for cancer and ophthalmological indications. She holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research.

MELINDA LOWE, PhD
PROJECT MANAGER

Melinda Lowe commenced as Project Manager with Circadian in 2010. She has responsibility for coordinating the inter-disciplinary development activities associated with the development of our lead compounds VGX-100, VGX-200 and VGX-300. Melinda holds a PhD in Medicine from Monash University and has over 20 years' experience in Australian biomedical research, principally in the fields of immunologically mediated disease and virology. She moved into project management in 2005 whilst at Starpharma Holdings Limited, a company developing nanotechnology products for pharmaceutical, life-science and other applications. Since then, as a Senior Development Manager with Medicines Development Limited, Melinda has worked on the development of a novel lipopeptide vaccine technology, and a practical and affordable conjoint treatment option for chronic viral infections.

SUSAN MADDEN, BBus, FCPA, GAICD
COMPANY SECRETARY AND FINANCE MANAGER

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 three years at the Cancer Council of Victoria and held several senior finance positions during her 14 years with the Shell Company of Australia Limited. Ms Madden is also the Company Secretary for Syngene Limited, Vegenics Pty Ltd and all other Circadian subsidiary companies. She holds a seat on the Finance and Audit Committee for BreastScreen Victoria and is also a member of two Board Committees for Cycling Victoria, the Marketing, Promotion and Membership Commission and the Women and Girls Commission.

ANGUS TESTER, PhD
SENIOR RESEARCH SCIENTIST

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

SUSAN FORAN, MPharm
HEAD OF TOXICOLOGY AND PROJECT MANAGEMENT

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

RICHARD CHADWICK, PhD
HEAD OF INTELLECTUAL PROPERTY

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

Board of Directors

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

Dominique Fisher was appointed a non-executive director of Circadian in September 2005. She became Chairman of the Board in the subsequent month and is a member of the Company's Audit 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 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, Chairman of Sky Technologies Pty Ltd, 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
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

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 subsidiary 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)
NON-EXECUTIVE DIRECTOR

Don Clarke was appointed a non-executive director of Circadian in September 2005. He is Chairman of the Remuneration Committee and a member of the Audit 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
NON-EXECUTIVE DIRECTOR

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 was a director of Metlink Pty Ltd until April 2012. 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)
NON-EXECUTIVE DIRECTOR

Dr Errol Malta was appointed a non-executive director of Circadian on 20 August 2009. He is also chairman of the Company's Product Development Review Committee 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 10 years with Amgen Inc, the world's largest independent biotechnology company. In his role as Product Development Team Leader, Dr Malta was responsible for five successful new-molecule IND submissions to FDA and other regulatory agencies, subsequent Phase I/II programs, and numerous Phase III and IV trials. He has been a consultant to over 20 biotechnology companies in early phase product development in Australia and the United States. 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
NON-EXECUTIVE DIRECTOR
(resigned 14 October 2011)

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. He resigned from the Circadian Board effective 14 October 2011. 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 United States, Europe, Japan and Australia. During his career, Mr Montagner has built specialty oncology practices, managing the strategic integration of both clinical and commercial aspects of drug portfolios. He was Executive Vice President & Global Head of Schering AG/Berlex Labs United States 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
NON-EXECUTIVE DIRECTOR
(retired 24 November 2011)

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

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2012

The Board of Directors of Circadian Technologies Limited (Circadian or Company) submits its report for the year ended 30 June 2012 for Circadian and its subsidiaries (the Group).

DIRECTORS

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

Dominique Fisher	Non-executive Chairman
Robert Klupacs	Managing Director and Chief Executive Officer
Don Clarke	Non-executive director
Tina McMeckan	Non-executive director
Errol Malta	Non-executive director
Carlo Montagner	Non-executive director (resigned 14 October 2011)
Jonathan Skipper	Non-executive director (retired 24 November 2011)

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

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ms D. Fisher	Pacific Brands Limited	Mar 2007 to Oct 2010
Mr D. Clarke	Webjet Limited	Since 2008
	Phosphagenics Limited	Since 2010
	Calzada Limited (formerly Metabolic Pharmaceuticals Limited)	Apr 2007 to Nov 2009
Ms T. McMeckan	SP AusNet	Since 2010

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 conditional rights over ordinary shares
Dominique Fisher	-	167,500	-
Robert Klupacs	272,254	-	520,000
Don Clarke	-	80,000	-
Tina McMeckan	-	70,000	-
Errol Malta	-	70,000	-

SHARE OPTIONS AND 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:

Unissued ordinary shares:

Number of unissued ordinary shares	nil

Deferred shares:

Number of deferred shares	nil

Options:

Issuing entity for all options	Circadian Technologies Limited		
Class of shares	Ordinary	Ordinary	Ordinary
Number of shares under option	780,982	100,000	77,144
Exercise prices	$1.00	$1.00	$1.00
Vesting date^	15/9/2011	15/12/2011	26/6/2012
Expiry date	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 the options granted, which are $1.25, $1.50 and $1.75 (see the Remuneration Report for further details). The offer price for the Company's shares at 30 June 2012 was $0.35.

No options were exercised during or since the end of the financial year.

Conditional rights:

Issuing entity for all rights	Circadian Technologies Limited
Class of shares	Ordinary
Number of conditional rights	1,710,000
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.

During and since the end of the financial year, an aggregate 150,000 Conditional Rights were granted to the following directors and senior management of the Company and its controlled entities as part of their remuneration:

Directors and senior management	Number of conditional rights granted	Issuing entity	Number of ordinary shares under conditional right or option
Dominique Fisher	-	Circadian Technologies Limited	-
Robert Klupacs	-	Circadian Technologies Limited	520,000
Don Clarke	-	Circadian Technologies Limited	-
Tina McMeckan	-	Circadian Technologies Limited	-
Errol Malta	-	Circadian Technologies Limited	-
Megan Baldwin	-	Circadian Technologies Limited	400,000
Richard Chadwick	-	Circadian Technologies Limited	340,000
Mike Gerometta	-	Circadian Technologies Limited	260,000
Ian Leitch	150,000	Circadian Technologies Limited	150,000
Sue Madden	-	Circadian Technologies Limited	200,000
Mark Sullivan	-	Circadian Technologies Limited	-

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 and ocular 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 $4,906,456 after an income tax benefit of $2,402,070 (2011: loss of $10,265,346 after an income tax benefit of $777,936).

› Consolidated cash balance as at 30 June 2012 amounted to $16,439,225 (2011: $22,104,414).

› The net tangible asset backing per share as at 30 June 2012 was $0.41 (2011: $0.47), whereas Circadian's share price was $0.35 (2011: $0.58).

› Direct R&D expenditure (excluding personnel costs) amounted to $3,595,677 (2011: $6,570,095). Including personnel costs and other R&D support costs which are recognised through the administrative cost centre, total expenditure in R&D amounted to $5,128,559 (2011: $8,096,235).

› Royalty income of $510,270 (2011: $446,154).

› Patent costs of $577,697 (2011: $562,843).

› The Group retains interests in various listed investments; the largest of these is in Antisense Therapeutics Limited. The combined market value of these investments as at 30 June 2012 was $3,651,785 (2011: $1,328,931).

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 Phase I clinical trial of VGX-100 in oncology and pre-clinical evaluation of VGX-100 in animal models for 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 2012 financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity attributable to the owners of the Company reduced from $21,824,173 to $18,911,393, primarily as a result of ongoing operational expenditure as the Group progressed its research and development program, offset by additional capital raised in June 2012 in a private placement. Also as a result of a rights issue undertaken by Syngene Limited on 8 February 2012, Polychip Pharmaceuticals Pty Ltd, a 100% owned subsidiary of the Company, gained a greater than 50% interest in Syngene and therefore Syngene became a subsidiary of the Company from 8 February 2012.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, that 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.

Two clinical drug-development programs are underway in oncology. 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) and is currently in Phase I clinical studies in cancer patients. The other, VGX-100, an antibody to VEGF-C, is being developed internally by Circadian and is also in Phase I clinical studies in cancer patients.

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 2012, 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 2012. 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	Meetings of committees		
		Audit and Risk	Remuneration	PDRC
Number of meetings held:	**8**	**4**	**3**	**2**
Number of meetings attended:				
Dominique Fisher	8	4	1 (1)	-
Robert Klupacs	8	-	-	-
Don Clarke	8	4	3	-
Tina McMeckan	8	4	3	-
Errol Malta	8	-	3	2
Carlo Montagner	2 (2)	-	- (2)	1 (1)
Jonathan Skipper	1 (3)	-	-	-

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 and Risk	Remuneration	PDRC*
T. McMeckan (Chairman)	D. Clarke (Chairman)	E. Malta (Chairman)
D. Fisher	C. Montagner[1]	C. Montagner[1]
D. Clarke	E. Malta	R. Howard
	D. Fisher[2]	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.

1 Carlo Montagner resigned effective 14 October 2011.

2 Dominique Fisher joined the Remuneration Committee effective 20 October 2011.

AUDITOR INDEPENDENCE

The directors have obtained a declaration of independence from Deloitte Touche Tohmatsu, the Group's auditors, which is contained in the financial report.

PROCEEDINGS ON BEHALF OF THE COMPANY

There were no persons applying for leave under section 237 of the *Corporations Act 2001* to bring, or intervene in, proceedings on behalf of the Company.

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Deloitte Touche Tohmatsu.

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 2012.

This report provides a summary of the remuneration policies and practices adopted by Circadian during the 2012 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 of the Company and the Group are provided below:

(i) Directors

Dominique Fisher	Chairman (non-executive)
Robert Klupacs	Managing Director and Chief Executive Officer
Don Clarke	Director (non-executive)
Tina McMeckan	Director (non-executive)
Errol Malta	Director (non-executive)
Carlo Montagner	Director (non-executive) (resigned 14 October 2011)
Jonathan Skipper	Non-Executive Director (retired 24 November 2011)

(ii) Executives

Megan Baldwin	Head of Pre-clinical Research and Development
Richard Chadwick	Head of Intellectual Property
Mike Gerometta	Head of CMC Development
Ian Leitch	Director – Clinical Research (commenced 12 September 2011)
Susan Madden	CFO and Company Secretary
Mark Sullivan	Head of 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 2012, women comprise 50% of our workforce, 29% of our senior management positions and 50% 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 that has an appropriate and diverse mix of skills, experience and expertise.

Remuneration Committee

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

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

Remuneration Policy

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

To this end, the Group has adopted the following principles in its remuneration framework: provide competitive rewards to attract high-calibre executives; link executive rewards to shareholder value; and establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure and performance

The Company's constitution and the 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 $308,847 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 up to his retirement on 24 November 2011. As a gesture of good faith, the Group paid $19,167 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 2012. It is at a director's discretion as to whether they will purchase shares in the Company, on market, during the appropriate trading windows available throughout the year. The holdings of the directors are disclosed under the Directors' Interests section of the Directors' Report.

The Board is responsible for reviewing its own performance. Board performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). An evaluation was conducted in March 2012 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 2013 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 2012 and 30 June 2011 are detailed in Table 1 of this report.

Executive remuneration

Objective

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

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

Structure and performance

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice and/or may also perform its own market research by accessing relevant remuneration reports prepared by third parties. No external consultants were engaged in the current or previous financial year.

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

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

The non-executive directors are responsible for evaluating the performance of the Managing Director and of the other management. The Managing Director also evaluates the performance of the other management. The performance evaluation of the management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved. Specific and measurable qualitative and quantitative performance criteria are used. Due to the nature of the Company's activities and the stage that it is at with respect to these activities, profitability is not a performance measure for STIs, although effective management of the Company's resources in achieving value for shareholders is expected. LTIs are linked to share price appreciation and 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 that included a review of remuneration structure for the management was held in May 2012. The key performance indicators for the financial year ending 30 June 2013 are expected to be approved by early September.

Table 1 of this report sets out the remuneration of key management personnel (KMP) of the Company for the years ended 30 June 2012 and 30 June 2011, showing the proportion of fixed remuneration and variable remuneration.

Fixed remuneration

Objective

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

Structure

KMP 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 KMP depend on the extent to which specific targets set at the beginning of the financial year (or shortly thereafter) are met. The targets consist of a number of 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 KMP. This process occurs within one month after the relevant financial year end.

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

STI bonus for the 2012 financial year

The Remuneration Committee considered the STI payment for the 2012 financial year within the first two months after the end of that year. The STI bonus that is to be paid for the 2012 financial year for KMP is $249,859, excluding 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 KMP in a manner that aligns this element of compensation with the creation of shareholder wealth.

As such, LTI grants are made to KMP 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 KMP 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 KMP.

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.

Options issued in financial years 2007 to 2009

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

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

The 2007 options issued have an exercise price of $1.50; the 2008 options issued have an exercise price of $1.30 and the 2009 options issued have an exercise price of $1.00 (Exercise Price).

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

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

The options issued in the 2008 financial year were to Robert Klupacs, pursuant to an Executive Contract dated 20 December 2007. These options expired in February 2012.

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

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

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

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

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

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

This Option Plan has now been replaced by the Employee Conditional Rights Scheme below.

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. The Company issued a further 150,000 conditional rights in May 2012. 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;
  - 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 II 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 II 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 that 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 the consolidated entity's earnings and shareholder returns/value for the current year and in the previous four financial years:

	2012 $	2011 $	2010 $	2009 $	2008 $
Revenue	1,485,832	1,834,467	2,251,462	3,030,335	3,639,666
Loss before tax	(7,308,526)	(11,043,282)	(6,838,738)	(9,875,803)	(1,116,869)
Loss after tax	(4,906,456)	(10,265,346)	(6,948,240)	(9,921,670)	(2,286,119)

	2012 $	2011 $	2010 $	2009 $	2008 $
Basic (loss)/earnings per share	(0.10)	(0.22)	(0.15)	(0.22)	(0.03)
Capital return per share	-	-	-	-	-
Dividends per share	-	-	-	-	-
NTA backing per share @ 30 June	0.41	0.47	0.70	0.86	1.28
Circadian share price @ 30 June	0.35	0.58	0.52	0.73	0.88

Due to the nature of the Group's activities (being in the biotechnology industry) as described under Principal Activities, results year to year do fluctuate. The factors contributing to this year's and last year's financial results are described under Operating and Financial Review of this report.

Employment contracts

Mr Robert Klupacs, who was appointed Managing Director effective 1 March 2008, is employed under an ongoing 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 $397,572 per annum.
- Mr Klupacs may resign from his position and thus terminate this contract by giving three months' notice. On resignation, any unvested LTI options will be forfeited.
- The Company may terminate this employment agreement by providing:
  - six 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. These options have now since lapsed. 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 rights, 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 ongoing 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 and is two months for each executive except for Susan Madden, whose notice period is one month. 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.

Table 1: Remuneration of key management personnel for the year ended 30 June 2012 (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/ conditional rights* $	$	%
Non-executive directors:									
D. Fisher	**2012**	**80,004**	**-**	**7,200**	**-**	**-**	**-**	**87,204**	**-**
	2011	80,004	-	7,200	-	-	-	87,204	-
D. Clarke	**2012**	**56,004**	**-**	**5,040**	**-**	**-**	**-**	**61,044**	**-**
	2011	56,004	-	5,040	-	-	-	61,044	-
T. McMeckan	**2012**	**51,000**	**-**	**4,590**	**-**	**-**	**-**	**55,590**	**-**
	2011	51,000	-	4,590	-	-	-	55,590	-
E. Malta	**2012**	**80,004**	**-**	**7,200**	**-**	**-**	**-**	**87,204**	**-**
	2011	80,004	-	7,200	-	-	-	87,204	-
C. Montagner[1]	**2012**	**16,334**	**-**	**1,470**	**-**	**-**	**-**	**17,804**	**-**
	2011	56,004	-	5,040	-	-	-	61,044	-
J. Skipper[2]	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-	-	-	-
Sub-total non-executive directors									
	2012	**283,346**	**-**	**25,500**	**-**	**-**	**-**	**308,846**	**-**
	2011	323,016	-	29,070	-	-	-	352,086	-
Executive directors:									
R. Klupacs	**2012**	**397,572**	**84,484**	**43,385**	**-**	**-**	**7,697**	**533,138**	**17.29**
	2011	387,876	60,896	40,389	-	-	86,869	576,030	25.65
Other key management personnel:									
I. Leitch[3]	**2012**	**146,540**	**22,313**	**14,366**	**-**	**-**	**3,517**	**186,736**	**13.83**
	2011	-	-	-	-	-	-	-	-
M. Baldwin	**2012**	**185,304**	**30,639**	**19,435**	**-**	**-**	**7,420**	**242,798**	**15.68**
	2011	178,926	29,152	18,727	-	-	22,710	249,515	20.79
M. Gerometta	**2012**	**175,224**	**26,339**	**18,141**	**-**	**-**	**4,698**	**224,402**	**13.83**
	2011	170,952	27,566	17,867	-	-	6,979	223,364	15.47
M. Sullivan[4]	**2012**	**189,363**	**-**	**-**	**-**	**-**	**-**	**189,363**	**-**
	2011	265,200	-	-	-	-	-	265,200	-
R. Chadwick	**2012**	**199,513**	**17,707**	**19,550**	**-**	**-**	**6,258**	**243,028**	**9.86**
	2011	191,325	23,650	19,348	-	-	18,496	252,819	16.67
S. Madden	**2012**	**170,003**	**26,005**	**17,641**	**-**	**-**	**3,662**	**217,311**	**13.65**
	2011	159,996	30,300	17,127	-	-	3,872	211,295	16.17
Sub-total executive KMP									
	2012	**1,463,519**	**207,487**	**132,518**	**-**	**-**	**32,252**	**1,836,776**	
	2011	1,354,275	171,564	113,458	-	-	138,926	1,778,223	
Totals	**2012**	**1,746,865**	**207,487**	**158,018**	**-**	**-**	**33,252**	**2,145,622**	
	2011	1,677,291	171,564	142,528	-	-	138,926	2,130,309	

Table 1: Remuneration for the year ended 30 June 2012 (Consolidated) (continued)

1 C. Montagner resigned from the Board effective 14 October 2011.

2 J. Skipper retired from the Board effective 24 November 2011. He is an executive director of the Ludwig Institute of Cancer Research Ltd (LICR) and in accordance with LICR policy, he waived his rights to a director's fee. As a gesture of good faith, the Group paid $19,167 directly to LICR as a charitable donation.

3 I. Leitch commenced 12 September 2011.

4 M. Sullivan reduced from 2.5 days per week in the previous financial year to 2 days per week in the current financial year. He is remunerated through Medicines Development Limited.

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

As at 30 June 2012, 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 2012 was 35 cents).

The value of the options and conditional 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, 2011 and 2012 financial years, and has been determined by allocating the fair value of the options and conditional 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: Share base payment arrangements in existence during the year (Consolidated)

Conditional right series	Grant date	Expiry date	Grant date fair value	Vesting date
(1) Issued 22/3/2011	7/3/2011	31/3/2015	$0.25	Vest at date of grant
(2) Issued 22/3/2011	8/3/2011	31/3/2015	$0.20	Vest at date of grant
(3) Issued 22/3/2011	8/3/2011	31/3/2015	$0.25	Vest at date of grant
(4) Issued 22/3/2011	17/3/2011	31/3/2015	$0.25	Vest at date of grant
(5) Issued 22/3/2011	18/3/2011	31/3/2015	$0.25	Vest at date of grant
(6) Issued 22/3/2011	2/10/2011	31/3/2015	$0.11	Vest at date of grant

Table 3: Compensation conditional rights: Granted and vested during the year (Consolidated)

		Granted during year	Terms and conditions for each grant				Vested during year
		No.	Grant date	Fair value per conditional right at grant date (note 26)	Exercise price per conditional right (note 26)	Expiry date	No.
Directors							
R. Klupacs	**2012**	-	-	-	-	-	-
	2011	520,000	8/3/2011	$0.20	$0.00	31/3/2015	1,000,000
Executives							
I. Leitch	**2012**	**150,000**	**2/10/2011**	**$0.11**	**$0.00**	**31/3/2015**	**-**
	2011	-	-	-	-	-	-
M. Baldwin	**2012**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	200,000	17/3/2011	$0.25	$0.00	31/3/2015	-
M. Gerometta	**2012**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	160,000	8/3/2011	$0.25	$0.00	31/3/2015	-
M. Sullivan	**2012**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-	-
R. Chadwick	**2012**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	180,000	18/3/2011	$0.25	$0.00	31/3/2015	-
S. Madden	**2012**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	200,000	7/3/2011	$0.25	$0.00	31/3/2015	-
Total options	**2012**	**150,000**		**$0.11**	**$0.00**	**31/3/2015**	**-**
	2011	1,260,000		$0.25	$0.00	31/3/2015	-

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

Table 4: Conditional rights granted as part of remuneration (Consolidated)[1]

	Total value of conditional rights granted during the year $	Value of conditional rights expensed during the year[2] $	Value of conditional rights exercised during the year $	Value of conditional rights lapsed/forfeited during the year $	Remuneration consisting of conditional rights for the year[3] %
R. Klupacs	-	-	-	-	4.72
I. Leitch	16,500	3,517	-	-	1.88
M. Baldwin	-	-	-	-	6.50
M. Gerometta	-	-	-	-	5.03
M. Sullivan	-	-	-	-	-
R. Chadwick	-	-	-	-	5.71
S. Madden	-	-	-	-	5.44

1 For details on the valuations of the conditional rights, 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 conditional rights granted during the year.

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

No options were exercised during the current year.

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

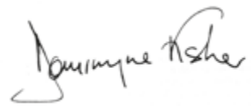
Shares issued on exercise of compensation options (Consolidated)

There were no options exercised by key management personnel during the 2012 and 2011 financial years.

This report has been signed in accordance with a Resolution of the Directors made on 22 August 2012.

For and on behalf of the Board:

Robert Klupacs
Director



Dominique Fisher
Director

Melbourne
22 August 2012

Corporate Governance Statement

INTRODUCTION

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

On 2 August 2007, the Australian Securities Exchange (ASX) Corporate Governance Council released the *Corporate Governance Principals and Recommendations* (2nd edition) with the change in the reporting requirements applying to the Group's first financial year commencing on or after 1 July 2008. The Corporate Governance Statement details Circadian's corporate governance practices, including its compliance with the aforementioned requirements. This statement is current as at 22 August 2012 and should be read in conjunction with the Directors' Report within this annual report.

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

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

Circadian's corporate governance practices were in place throughout the year ended 30 June 2012 and were fully compliant with the Council's best-practice recommendations, except for the recommendation regarding the establishment of a Nomination Committee. The reason for not establishing this committee is explained in the section of this report headed "Structure of the Board".

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

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

Board functions and charter

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

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

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

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

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

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

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

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

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

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

Other functions reserved to the Board include:

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

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

Executive performance evaluation

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

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

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

The performance of the Managing Director and management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. A review of the remuneration structure for management was performed in May 2012 by the Remuneration Committee. This review was in accordance with the aforementioned process. A review of performance against KPIs occurred in July 2012 in accordance with the described policy. Further information on the Remuneration Committee can be found in the "Remuneration Report" section of the Directors' Report.

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

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Structure of the Board

The Board as of 22 August 2012 consists of five directors, one of whom is an executive (Robert Klupacs, CEO) and four of whom are non-executives. The skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are included in the Directors' Report under the section headed "Directors". Directors of Circadian are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

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

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

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

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

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

Name	Term in Office
D. Fisher	7 years
R. Klupacs	4 years, 6 months
D. Clarke	7 years
T. McMeckan	4 years, 7 months
E. Malta	3 years

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

Directors' access to independent professional advice

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

Board and committee performance

Board and committee performance is monitored on an informal basis throughout the year with the objective of annual formal performance evaluation (although this may occur every 12 to 20 months). Directors participated in an evaluation that was conducted in March 2012 of the Board's and committees' performance against specific qualitative performance criteria, some of which are measurable. The evaluation was performed with the use of questionnaires, self-evaluations and one-on-one interviews with directors and was designed to cover both the Board and also its committees. This was performed in accordance with the Company's Performance Evaluation Process Policy (as contained on the Company's website). The next evaluation is planned to be performed before the end of the 2013 financial year. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: Board structure, Board role and responsibilities, strategy and planning, monitoring of Company performance and Board culture and relationships (amongst each director and with management).

Appointment of directors

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

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

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

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

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

The Board Charter was reviewed and updated with minor modifications in March 2012 and can be found on Circadian's website: **www.circadian.com.au**.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Circadian Code of Conduct as approved by the Board sets out Circadian's commitment and practices to successfully conduct our business in accordance with all applicable laws while demonstrating and promoting the highest ethical standards. It sets out the standards of conduct in employees' and directors' relationships with each other, with the employer and with all those with whom the directors and employees deal in their work. The Code provides a framework for decision-making and business behaviour that builds and maintains Circadian's corporate integrity and reputation, and identifies responsibilities for reporting and investigating breaches. The Code applies to all employees and directors. The Code of Conduct was reviewed in March 2012 and can be found on Circadian's website: **www.circadian.com.au**.

Securities Trading Policy

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

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

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

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

An Approving Officer means:

(a) for a Designated Officer who is not a director, the Chief Executive Officer (CEO);

(b) for a director (except the Chairman of the Board), the Chairman of the Board and the CEO; and

(c) for the Chairman of the Board, the Chairman of the Audit Committee and the CEO.

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

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

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

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

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. The Securities Trading Policy was reviewed in March 2012, a copy of which is available on Circadian's website: **www.circadian.com.au**.

Diversity Policy

In April 2011, the Company established a separate Diversity Policy in accordance with Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations. The policy was reviewed in March 2012 and a copy of the policy is available on the Company's website.

Circadian's policy is to leverage diversity through the attraction, retention and development of a diverse team of talented people in the Company at all levels, including the Board. This means using diversity to contribute to the achievement of the Company's strategic objectives and corporate goals.

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. Details of the Company's diversity statistics can be found in the "Remuneration Report" section of the Directors' Report.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

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

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements. All members of the Audit and Risk Committee are independent non-executive directors. The members who served on the Audit and Risk Committee during the 2012 financial year were Ms Tina McMeckan, Ms Dominique Fisher and Mr Don Clarke.

The Audit and Risk Committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half-year statutory review. The Audit and Risk Committee Charter was reviewed in March 2012. It can be found on the Company's website (**www.circadian.com.au**) and contains the procedures for the selection, appointment and rotation of external audit engagement partners.

Qualifications of Audit and Risk Committee members

Ms Tina McMeckan has chaired the Audit and Risk Committee since 21 August 2008. Her specific skills are in the commercialisation of science and technology and the energy sector. Ms McMeckan, who has an MBA, is presently Chairman of the Centre for Eye Research Australia and a director of CRC for Spatial Information, SP AusNet Limited, Global Carbon Capture and Storage Institute and was a director of Metlink Pty Ltd until April 2012. 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).

Ms Dominique Fisher has extensive business experience in the corporate area, including the commercialisation of new technologies. She is Principal and Executive Director of EC Strategies Pty Ltd, which advises local and overseas companies on technology strategies and major commercial transactions, Managing Director of Helix Digital Pty Ltd and is a member of the Prostate Cancer Foundation Victoria. From 2007 to 2010, she was a non-executive director of Pacific Brands Limited and was a member of its Audit and Risk Committee. She is a former director of Insurance Australia Group (IAG) and was a member of its Risk Management and Compliance Committee from 2000 to 2004.

Mr Don Clarke has been a partner with the law firm Minter Ellison since 1988, having joined that firm in 1980. He has broad commercial practice (involving predominantly ASX listed companies in the SME sector and larger private companies) and experience across a broad sector of industries. He is also a non-executive director of listed companies Webjet Limited (appointed January 2008) and Phosphagenics Limited (appointed August 2010), and a former director of Calzada Limited (formerly Metabolic Pharmaceuticals Limited).

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

The Continuous Disclosure Policy was reviewed in March 2012 and is available on Circadian's website: **www.circadian.com.au**.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

The Communications Policy, which was reviewed in March 2012, is available on Circadian's website: **www.circadian.com.au**.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk

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

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

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

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. At the Company's Audit and Risk Committee meeting held in December 2011, management presented their annual risk review. As is required by the Board, management is required to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of these controls and processes. The report was considered by the Audit and Risk Committee and noted by the Board at the Board meeting held in December 2011. Management, with the assistance of its insurance broker, undertook an annual review, in November 2011, of the Company's insurance requirements to ensure appropriate coverage.

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

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

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

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

CEO and CFO certification

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

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

The Risk Management Policy, which was reviewed in March 2012, is available on Circadian's website: **www.circadian.com.au**.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Performance

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

Remuneration Committee

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

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

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

At no time have any directors or management of the Company limited the risk of participating in unvested entitlements under an equity-based remuneration scheme. A policy to this effect was incorporated into the Securities Trading Policy and adopted by the Board on 14 September 2009. This policy can be found on the Company's website.

The members of the Remuneration Committee during the year were Mr Don Clarke (Chairman), Dr Errol Malta, Mr Carlo Montagner (until 14 October 2011) and Ms Dominique Fisher (from 20 October 2011).

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

The Remuneration Committee Charter, which was reviewed in March 2012, can be found on Circadian's website: **www.circadian.com.au**.

OTHER COMMITTEES

Product Development Review Committee

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

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

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

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

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

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

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

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

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

INSIDE THIS REPORT

Financial Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

The Board of Directors
Circadian Technologies Limited
Level 1,
10 Wallace Avenue
TOORAK VIC 3142

22 August 2012

Dear Board Members

Circadian Technologies Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Circadian Technologies Limited.

As lead audit partner for the audit of the financial statements of Circadian Technologies Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	11	**16,439,225**	22,104,414
Receivables	12	**1,656,352**	208,546
Prepayments		**74,155**	80,129
Total Current Assets		**18,169,732**	22,393,089
Non-Current Assets			
Available-for-sale financial assets	13	**3,651,785**	1,328,931
Investments in associates	14	**-**	493,431
Deferred tax assets	9	**176,581**	189,441
Plant and equipment	16	**106,896**	97,505
Intangible assets	32	**500,000**	-
Total Non-Current Assets		**4,435,262**	2,109,308
TOTAL ASSETS		**22,604,994**	24,502,397
LIABILITIES			
Current Liabilities			
Payables	17	**1,937,364**	2,239,182
Provisions	18	**187,987**	196,651
Total Current Liabilities		**2,125,351**	2,435,833
Non-Current Liabilities			
Deferred tax liability	9	**176,581**	189,441
Provisions	19	**106,207**	52,950
Total Non-Current Liabilities		**282,788**	242,391
TOTAL LIABILITIES		**2,408,139**	2,678,224
NET ASSETS		**20,196,855**	21,824,173
EQUITY			
Contributed equity	20	**39,395,603**	38,374,094
Retained earnings	21	**(14,488,786)**	(13,246,618)
Reserves	21	**(5,995,424)**	(3,303,303)
Equity attributable to owners of the Company		**18,911,393**	21,824,173
Non-controlling interests	31	**1,285,462**	-
TOTAL EQUITY		**20,196,855**	21,824,173

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Finance revenue		**975,563**	1,388,313
Other revenue		**510,270**	446,154
Revenue	6	**1,485,832**	1,834,467
Other income	7	**253,728**	15,274
Research and development expenses	23	**(3,595,677)**	(6,570,095)
Patent expenses		**(577,697)**	(562,843)
Intellectual property costs		**(963,107)**	(147,006)
Administrative expenses	8(c)	**(3,925,175)**	(4,505,946)
Occupancy expenses	8(b)	**(152,504)**	(147,510)
Impairment losses	8(a)	**-**	(611,439)
Share of net profit/(loss) of associates	14(b)	**166,073**	31,195
Net foreign exchange losses		**-**	(379,379)
Loss before income tax		**(7,308,526)**	(11,043,282)
Income tax (expense)/benefit	9	**2,402,070**	777,936
Loss for the period		**(4,906,456)**	(10,265,346)
Other comprehensive income			
Net unrealised gains/(losses) on non-current listed investments for the period		**1,227,286**	184,759
NCI share of movement in investments revaluation reserve	31	**(6,583)**	-
Income tax on items of other comprehensive income	21	**(369,477)**	(80,114)
Other comprehensive income for the period, net of tax		**851,226**	104,645
Total comprehensive income for the period		**(4,055,230)**	(10,160,701)
Loss for the period is attributable to:			
Non-controlling interest	31	**(69,203)**	-
Owners of the parent	21	**(4,837,253)**	(10,265,346)
		(4,906,456)	(10,265,346)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		**(75,786)**	-
Owners of the parent		**(3,979,444)**	(10,160,701)
		(4,055,230)	(10,160,701)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
– Basic and diluted loss per share (cents)	10	**(10.39)**	(22.20)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Contributed equity $	Asset revaluation reserve $	Option reserve $	Contributed capital of associate reserve $	Employee equity benefits reserve $	Equity reserve-parent $	Investments revaluation reserve $	Retained earnings $	Attributable to owners of the parent $	Non-controlling interests $	Total equity $
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 gains 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)
Gain on new share issue by associate		-	-	-	-	-	-	-	-	-	-	-
Loss for the year*		-	-	-	-	-	-	-	(10,265,346)	(10,265,346)	-	(10,265,346)
Total comprehensive income and expense for the year		-	-	-	-	-	-	38,153	(10,265,346)	(10,227,193)	-	(10,227,193)
Cost of share-based payment	21(b)	-	-	-	-	231,272	-	-	-	231,272	-	231,272
Disposal of subsidiary which had non-controlling interests		-	-	-	-	-	-	-	-	-	-	-
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**
As at 1 July 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**
Net unrealised gains on non-current listed investments for the period*	21(b)	-	-	-	-	-	-	868,697	-	868,697	(6,583)	862,114
Transfer to retained earnings	21(b)	-	(734,407)	(19)	(1,180,872)	(1,679,787)	-	-	3,595,085	-	-	-
Share of associates' movement in equity reserve*		-	-	-	-	-	-	(10,888)	-	(10,888)	-	(10,888)
Loss for the year*		-	-	-	-	-	-	-	(4,837,253)	(4,837,253)	(69,203)	(4,906,456)
Total comprehensive income and expense for the period		-	(734,407)	(19)	(1,180,872)	(1,679,787)	-	857,809	(1,242,168)	(3,979,444)	(75,786)	(4,055,230)
Non-controlling interest arising on acquisition of Syngene Limited		-	-	-	-	-	-	-	-	-	1,361,248	1,361,248
Issue of ordinary shares under private placement	20	1,021,509	-	-	-	-	-	-	-	1,021,509	-	1,021,509
Cost of share-based payment	21(b)	-	-	-	-	45,155	-	-	-	45,155	-	45,155
Balance at 30 June 2012		**39,395,603**	**-**	**-**	**-**	**121,090**	**(7,172,143)**	**1,055,629**	**(14,488,786)**	**18,911,393**	**1,285,462**	**20,196,855**

*Amounts are after tax

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Cash flows from operating activities:			
Interest received		**921,214**	1,396,391
Royalty and licence income received		**528,636**	451,506
Grant income		**134,524**	-
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		**(9,337,688)**	(11,851,687)
Income tax paid		**(43,390)**	-
Income tax refund	9(a)	**622,800**	588,225
Net cash flows used in operating activities	22(a)	**(7,173,904)**	(9,415,565)
Cash flows from investing activities:			
Acquisition of financial investments		**(310,737)**	-
Proceeds from sale of investments		**49,169**	15,260
Purchase of plant and equipment		**(38,497)**	(76,878)
Net cash inflow on acquisition of subsidiaries	33	**701,085**	-
Other dividends received		**1,500**	-
Net cash flows provided by investing activities		**402,520**	(61,618)
Proceeds from issue of shares		**1,021,510**	-
Net cash flows provided by financing activities:		**1,021,510**	-
Net decrease in cash and cash equivalents		**(5,749,874)**	(9,477,183)
Net foreign exchange differences		**84,685**	(273,572)
Cash and cash equivalents at beginning of year		**22,104,414**	31,855,169
Cash and cash equivalents at end of year	11	**16,439,225**	22,104,414

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The consolidated financial report of Circadian Technologies Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 22 August 2012.

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

Table of Contents

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. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

(b) New accounting standards and interpretations

(i) Standards affecting presentation and disclosure

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section (ii) below.

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'1) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

(ii) Standards and Interpretations adopted with no effect on financial statements

AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

(iii) Standards and Interpretations in issue not yet adopted

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 2012, are outlined in the table below.

Reference, title, application date of standard	Application date for Group and Summary	Impact on Group financial report
AASB 9 Financial Instruments 1 January 2013 (deferred to 1 January 2015)	Application date for Group: 1 July 2015 Addresses the clarification, measurement and de-recognition of financial assets and liabilities, particularly in relation to available-for-sale financial assets with fair value gains and losses having to be recognised directly in the profit and loss.	The Group has not yet determined the extent of the impact of the requirements under the new standard.
Consolidated Financial Statements 1 January 2013	Application date for Group : 1 July 2013 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.	The amendment is not expected to have a significant impact on the Group's financial report.
Fair Value Measurement 1 January 2013	Application date for Group: 1 July 2013 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. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	The Group has not yet determined the extent of the impact of the requirements under the new standard.

(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.

On 8 February 2012, Syngene Limited, in which Circadian held a 42.66% interest through its 100% owned subsidiary Polychip Pharmaceuticals Pty Ltd, undertook a rights issue. This resulted in Polychip's interest in Syngene to be greater than 50% of Syngene's issued capital. As a result, Syngene became a subsidiary of Circadian from the 8th of February 2012.

Therefore, non-controlling interest represents the portion of net profit/loss after tax and net assets in Syngene Limited, which is not attributable to the Group, and is 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 previous financial year, and has not made any transactions and is in the process of being closed. Refer note 24(a).

(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.

(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 are 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 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 of 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.

(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 24

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 nor 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, such as Syngene Limited, 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. This was the case until 8 February 2012 when Syngene Limited became a subsidiary.

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 is considered a "joint venture" arrangement 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.

(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 2012 and 2011 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 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 for 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.

(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 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).

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.

(x) Revenue recognition – refer note 6

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

(i) Interest revenue

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

(ii) Royalty fee and licence fee revenue

Royalty fee and licence fee revenue is recognised when earned.

(iii) Dividends

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

(y) Income tax – refer note 9

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

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

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

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. Income taxes relating to items recognised directly in equity are recognised directly in equity and not in profit or loss.

Tax consolidation legislation

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.

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 risks 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 2012, 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 following table:

Judgements of reasonably possible movements:	Post tax (loss)/profit impact		Equity impact	
	2012 $	2011 $	**2012 $**	2011 $
Consolidated				
+ 0.50% (50 basis points) (2011: +0.50%)	**72,592**	100,000	**-**	-
- 0.50% (50 basis points) (2011: -0.50%)	**(72,592)**	(100,000)	**-**	-

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 2012 (2011: Nil)

Significant assumptions used in the interest rate sensitivity analysis include:

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

(ii) Price risk

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

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

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

At 30 June 2012, 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 **2012 $**	Impact on equity after tax **2012 $**	Impact on tax loss after 2011 $	Impact on equity after tax 2011 $
Consolidated				
Change in variables				
10% increase in listed share price	-	**255,413**	-	93,025
10% decrease in listed share price	-	**(255,413)**	-	(93,025)

(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:

2012	Consolidated		
	USD **2012 $**	EURO **2012 $**	GBP **2012 $**
Financial assets			
Cash	**2,148,205**	**-**	**10,675**
Receivables	**35,774**	**1,857**	**-**
Financial liabilities			
Payables	**(786,468)**	**(202,983)**	**(39,399)**
Net exposure	**1,397,511**	**(201,126)**	**(28,724)**

2011	Consolidated		
	USD 2011 $	EURO 2011 $	GBP 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)

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

At 30 June 2012, 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	
	2012 $	2011 $	**2012 $**	2011 $
Consolidated				
AUD/USD +5%	**(66,548)**	(28,419)	**-**	-
AUD/USD -10%	**155,279**	66,312	**-**	-
AUD/Euro +5%	**9,577**	10,208	**-**	-
AUD/Euro -10%	**(22,347)**	(23,818)	**-**	-
AUD/GBP +5%	**1,368**	5,361	**-**	-
AUD/GBP -10%	**(3,192)**	(12,508)	**-**	-

The reasonably possible movements at 30 June 2012 are higher than at 30 June 2011 due to the higher net exposure to the US dollar. There was minimum or insignificant exposure to the GBP during the current financial year and 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 12 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; however, the Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

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.

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 2012, no impairment losses have been booked as there has been significant increase in the value of available-for-sale financial assets.

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 and the Directors' Report.

(ii) Significant accounting estimates and assumptions

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.

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 to further the development of major therapeutic indications while retaining rights to selected indications.

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

6. REVENUE

	2012 $	2011 $
(a) Finance revenue		
Interest from:		
Bank	**973,597**	1,386,128
Other unrelated persons	**1,965**	2,185
	975,563	1,388,313
(b) Other revenue		
Royalties and licence fees	**510,270**	446,154
Total Revenue	**1,485,832**	1,834,467

7. OTHER INCOME

	2012 $	2011 $
Net discount on acquisition due to Syngene Limited becoming a subsidiary[i]	**13,719**	-
Dividends from equity investments	**1,500**	-
Government grant income	**133,674**	-
Net gain/(loss) on disposal of available-for-sale investments	**-**	15,274
Net foreign exchange gains	**57,723**	-
Other	**47,112**	-
	253,728	15,274

(i) The net impact due to the acquisition of Syngene Limited and ceasing to be equity accounted.

8. EXPENSES

	2012 $	2011 $
(a) Impairment losses		
Listed financial investments[i]	**-**	611,439
	-	611,439

(i) The prior 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 since increased to 0.8 cents at 30 June 2011.

8. EXPENSES (CONTINUED)

(b) Occupancy expenses

	2012 $	2011 $
Operating lease rentals	**112,408**	111,680
Outgoings	**40,096**	35,830
Total occupancy expense	**152,504**	147,510

(c) Administrative expenses

	2012 $	2011 $
Included in administrative expenses are:		
Depreciation of:		
Equipment and furniture (note 16)	**28,289**	27,786
Leasehold improvements (note 16)	**290**	299
Total depreciation expense	**28,579**	28,085
Loss on sale of fixed assets	**-**	3,730
Loss on sale of available-for-sale investments	**9,762**	-
Employee benefits expense:		
Salaries and fees	**2,078,891**	2,232,247
Cash bonuses	**249,859**	230,522
Superannuation	**214,529**	224,182
Share-based payments expense (note 26)	**45,155**	231,272
Other employee benefits expense	**54,566**	49,112
Total employee benefits expense	**2,643,001**	2,967,335
Other administrative expenses		
Travel expenses	**125,960**	146,277
Insurance	**88,262**	95,464
Consultancy fees	**98,100**	177,531
Legal fees	**37,127**	87,315
Payroll tax	**114,105**	122,987
Investor relation and share registry related costs	**331,924**	448,576
Audit and accounting	**125,763**	132,720
Other expenses	**322,592**	295,926
Total other administrative expenses	**1,243,832**	1,506,796
Total administrative expenses	**3,925,175**	4,505,946

9. INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

	2012 $	2011 $
Statement of Comprehensive Income		
Current income tax		
Current income tax credit	**(1,409,793)**	-
Refund of Research and Development Tax Credit[i]	**(622,800)**	(588,225)
Adjustments in respect of tax losses of previous years	**-**	-
Deferred income tax		
Relating to revaluation of listed investments to fair value	**(369,477)**	(189,711)
Income tax expense reported in the statement of comprehensive income	**(2,402,070)**	(777,936)

(i) Following lodgement of the income tax return for 30 June 2011, the Group recognised an income tax benefit of $622,800 (2011: $588,255), which relates to the research and development tax offset allowable on research and development expenditure undertaken within Australia. In the current year, due to the implementation of the R&D tax incentive the Group expects to recover $1,409,794 for R&D tax incentives once the income tax return is lodged for 30 June 2012.

(b) Amounts charged or credited directly to equity

	2012 $	2011 $
Deferred income tax related to items charged (credited) directly to equity		
Net unrealised gain on listed investments[i]	**369,477**	80,114
Income tax benefit reported in equity	**369,477**	80,114

(i) Deferred tax movements were recognised with respect to unrealised gains on listed investments in Antisense Therapeutics Limited, $305,719 and Optiscan Imaging Limited, $69,595 offset by movements in other minor holdings by Syngene Limited $5,837.

(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:

	2012 $	2011 $
Accounting loss before tax	**(7,308,526)**	(11,043,282)
At the parent entity's statutory income tax rate of 30% (2011: 30%)	**(2,192,558)**	(3,312,985)
Adjustment in respect of tax losses of previous years	**-**	-
Unrecognised unrealised and realised tax assets	**4,693,030**	6,150,363
Refund of Research and Development Tax Credit	**(622,800)**	(588,225)
Increase in deferred tax assets due to temporary differences	**(3,421,561)**	(3,092,305)
(Decrease)/increase in deferred tax liabilities due to temporary differences	**(621,777)**	(92,926)
Expenditure not allowable for income tax purposes	**1,027,655**	86,127
Income (not assessable)/assessable for income tax purposes	**133,141**	19,853
Research and development additional deductions allowable	**(1,392,581)**	(126,688)
Difference between tax gain/loss and accounting gain/ loss on disposal of investments – non-assessable	**(4,619)**	178,850
Income tax expense reported in the statement of comprehensive income	**(2,402,070)**	(777,936)

9. INCOME TAX (CONTINUED)

(d) Recognised deferred tax assets and liabilities in statement of financial position

Deferred income tax at 30 June relates to the following:

	2012 $	2011 $
Deferred tax liabilities:		
Revaluation of listed investments to fair value	**(128,645)**	(80,114)
Temporary difference for investment in associate	**-**	(78,802)
Interest and royalty income receivable (future assessable income)	**(47,936)**	(30,525)
	(176,581)	(189,441)
Deferred tax assets:		
Tax losses	**-**	-
Income received in advance	**60,379**	55,045
Employee provisions	**88,258**	74,880
Future allowable deductions/income not assessable	**27,944**	59,516
	176,581	189,441

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

Deferred income tax at 30 June relates to the following:

Tax losses	**-**	(6,465)
Revaluation of listed investments to fair value	**369,477**	-
Income received in advance	**5,334**	55,045
Temporary difference for investment in associate	**78,802**	10,589
Interest and royalty income receivable (future assessable income)	**(17,411)**	35,220
Employee provisions	**13,378**	64,514
Future allowable deductions/income not assessable	**(31,572)**	30,808
Derecognition of deferred tax assets due to probability test	**(48,531)**	-
Deferred tax expenses	**369,477**	189,711

(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 $3,365,754 at year end (2011: $2,995,520).

(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 $10,887,936 and capital losses of $877,704 at year end (2011: income tax losses of $9,879,272 and capital losses of $877,704 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 (2011: $330,630), which represents the amount of franking credits available for the subsequent financial year.

10. EARNINGS PER SHARE

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

	2012 $	2011 $
(a) Earnings used in calculating earnings per share		
Net loss attributable to ordinary equity holders of the parent	**(4,837,253)**	(10,265,346)
(b) Weighted average number of shares		
Weighted average number of ordinary shares on issue for basic earnings per share	**46,539,326**	46,248,202
Effect of dilution:		
Deferred shares	**-**	-
Share options	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**46,539,326**	46,248,202

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

	2012 $	2011 $
Cash at bank and in hand	**3,889,225**	2,104,414
Short-term deposits	**12,550,000**	20,000,000
	16,439,225	22,104,414

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 5.21% (2011: 5.84%).

12. CURRENT ASSETS – RECEIVABLES

	2012 $	2011 $
Interest receivable	**127,496**	73,537
Royalty income receivable[i]	**37,286**	28,217
GST receivable[i]	**48,970**	69,468
Other[i]	**50,019**	37,324
Income tax refundable[ii]	**1,392,581**	-
Total current receivables	**1,656,352**	208,546

(i) These receivables are non-interest bearing, most of which have repayment terms between 30 and 60 days. There are no receivables past due or considered impaired.

(ii) Income tax refundable relates to the balance accrued in relation to the R&D tax incentive introduced by the Australian government effective 1 July 2011.

(a) Fair value and credit risk

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

13. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 $	2011 $
Listed Australian shares – at fair value	3,651,785	1,328,931

(a) Details of listed Australian shares

	Ownership interest		Fair value[(i)]		Cost of investment	
	2012	2011	**2012**	2011	**2012**	2011
Listed investments	**%**	%	**$**	$	**$**	$
Non-current investments:						
Antisense Therapeutics Ltd	**11.40**	10.71	**2,596,485**	815,252	**3,512,998**	3,118,339
Optiscan Imaging Limited	**5.99**	6.37	**776,624**	513,679	**818,202**	786,131
Other listed investments held in Syngene Ltd less than 1% interest			**278,675**	-	**356,369**	-
Total listed investments			**3,651,785**	1,328,931	**4,687,570**	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 investments revaluation reserve.

(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 $181,986 during the 2012 financial year (2011: $203,621), which arose from the carrying values exceeding the net assets of the relevant subsidiaries. See note 24(a).

14. NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES

(a) Investment details

	Ownership interest		Carrying amount	
	2012	2011	**2012**	2011
Name and principal activities	**%**	%	**$**	$
Unlisted:				
Syngene Limited – Gene diagnostics	**0**	42.4	**-**	493,431

The Group's proportion of voting power held in this associate was 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. Due to a rights issue in which the Group took up its rights, Syngene has ceased to be an associated entity of the Group and has been consolidated effective 8 February 2012. Refer to note 33.

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

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

	2012 $	2011 $
Syngene Limited:		
At 1 July	**493,431**	528,728
Share of profit after income tax to 8 February 2012[i]	**37,613**	31,195
Share of net unrealised gain/(loss) on listed investment to 8 February 2012[i]	**128,460**	(66,492)
Transferred to investment in subsidiary due to gaining control of Syngene Limited[i]	**(659,504)**	-
At 30 June	**-**	493,431

(i) The Group's share of the profit after income tax was equity accounted until 8 February 2012, after when Syngene became a subsidiary. The Group's share of the net unrealised gain on listed investment represents Syngene's 3.35% (2011: 3.18%) 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)).

15. PARENT ENTITY INFORMATION

(a) Information relating to Circadian Technologies Limited:

	2012 $	2011 $
Current assets	**13,760,038**	20,556,751
Total assets	**62,402,802**	62,007,942
Current liabilities	**756,189**	821,558
Total liabilities	**1,470,519**	1,879,954
Issued capital	**39,395,603**	38,374,094
Retained earnings	**21,137,603**	19,148,149
Asset revaluation reserve	**-**	734,407
Option reserve	**-**	19
Employee equity benefits reserve	**121,090**	1,755,722
Net unrealised gains reserve	**277,987**	115,597
Total shareholders' equity	**60,932,283**	60,127,988
Loss of the parent entity	**(424,759)**	(707,382)
Other comprehensive income	**162,390**	33,310
Total comprehensive loss of the parent entity	**(262,369)**	(674,072)

(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 2012 (2011: Nil).

(c) Parent entity contingent liabilities

The parent entity has contingent liabilities for the year ended 30 June 2012 of $128,000 which relate to success fees for business development contracts (2011: 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 12 months. These controlled entities are disclosed in note 24(a).

16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	2012 $	2011 $
Equipment and furniture at cost		
Opening balance	**238,087**	228,986
Additions	**38,497**	76,878
Disposals	**(22,179)**	(67,777)
Closing balance	**254,405**	238,087
Accumulated depreciation		
Opening balance	**(145,622)**	(180,474)
Depreciation for the year	**(28,289)**	(27,786)
Disposals	**21,652**	62,638
Closing balance	**(152,259)**	(145,622)
Net carrying amount	**102,146**	92,465
Leasehold improvements at cost		
Opening balance	**79,478**	79,478
Additions	**-**	-
Closing balance	**79,478**	79,478
Accumulated depreciation		
Opening balance	**(74,438)**	(74,139)
Depreciation for the year	**(290)**	(299)
Closing balance	**(74,728)**	(74,438)
Net carrying amount	**4,750**	5,040
Total plant and equipment, net	**106,896**	97,505

17. CURRENT LIABILITIES – PAYABLES

	2012 $	2011 $
Creditors (unsecured)[i]	**1,677,873**	1,996,429
Income received in advance	**201,262**	183,482
PAYG tax liability	**57,245**	49,834
Withholding tax payable	**984**	9,437
	1,937,364	2,239,182

(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.

18. CURRENT LIABILITIES – PROVISIONS

	2012 $	2011 $
Annual leave	**187,987**	196,651
	187,987	196,651

19. NON-CURRENT LIABILITIES – PROVISIONS

	2012 $	2011 $
Long-service leave	**106,207**	52,950

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

	2012 $	2011 $
(a) Ordinary shares		
Issued and fully paid at 30 June	**39,395,603**	38,374,094
Movement in ordinary shares:		
Opening balance	**38,374,094**	38,374,094
Issue of shares[i]	**1,021,509**	958,650
Deferred share issue[ii]	**-**	(958,650)
	39,395,603	38,374,094
Ordinary shares on issue:	**No.:**	**No.:**
Opening balance	**46,396,928**	45,241,928
Issue of shares[i] [ii]	**2,084,714**	1,155,000
	48,481,642	46,396,928
(b) Deferred shares on issue:		
Opening balance	**-**	1,155,000
Shares issued[ii]	**-**	(1,155,000)
	-	-

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

(i) On 12 June 2012, Circadian undertook a private placement totalling $1,021,509 to international and Australian-based institutional and sophisticated investors. The private placement of 2,084,714 fully paid ordinary shares (being equal to 4.5% of Circadian's issued capital) was made at an issue price of $0.49c. This was a 7% premium to the volume weighted average share price over the 30 days prior to the placement date.

(ii) In relation to the prior period, 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 became 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 were 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.

21. RETAINED EARNINGS AND RESERVES

	2012 $	2011 $
(a) Movements in retained earnings were as follows:		
Balance at 1 July	**(13,246,618)**	(2,981,272)
Transfer of balances from historical reserves accounts	**3,595,085**	-
Net loss for the period	**(4,837,253)**	(10,265,346)
Balance at 30 June	**(14,488,786)**	(13,246,618)
(b) Reserves		
Asset revaluation reserve[i]	**-**	734,407
Option reserve[ii]	**-**	19
Contributed capital of associate reserve[iii]	**-**	1,180,872
Net unrealised gains reserve[iv]	**1,055,629**	197,820
Employee equity benefits reserve[v]	**121,090**	1,755,722
Equity reserve attributable to parent[vi]	**(7,172,143)**	(7,172,143)
Total reserves	**(5,995,424)**	(3,303,303)
(i) Movement in asset revaluation reserve:		
Opening balance	**734,407**	734,407
Transfer to retained earnings	**(734,407)**	-
Closing balance	**-**	734,407
(ii) Movement in option reserve:		
Opening balance	**19**	19
Transfer to retained earnings	**(19)**	-
Closing balance	**-**	19
(iii) Movement in contributed capital of associate reserve:		
Opening balance	**1,180,872**	1,180,872
Transfer to retained earnings	**(1,180,872)**	-
Closing balance	**-**	1,180,872

21. RETAINED EARNINGS AND RESERVES (CONTINUED)

	2012 $	2011 $
(iv) Movement in net unrealised gains reserve:		
Opening balance	**197,820**	159,667
Net gains on non-current listed investments for the period	**1,231,591**	184,759
Tax effect on above net gains (note 9)	**(369,477)**	(80,114)
NCI share of revaluation of listed investments net of tax	**6,583**	-
Share of associate's net unrealised loss	**(10,888)**	(66,492)
Net gains/(losses) on non-current listed investments for the period after tax	857,809	38,153
Closing balance	**1,055,629**	197,820
(v) Movement in employee equity benefits reserve:		
Opening balance	**1,755,722**	1,524,450
Transfer to retained earnings of fully amortised options	**(1,679,787)**	-
Share based payments expense (note 8(c))	**45,155**	231,272
Closing balance	**121,090**	1,755,722
(vi) Movement in equity reserve attributable to parent:		
Opening and closing balance	**(7,172,143)**	(7,172,143)

(vii) Nature and purpose of reserves:

Asset revaluation reserve

The asset revaluation reserve was a historical reserve used to record increments and decrements in the value of non-current assets. The Board resolved to clear this reserve to retained earnings in the current year.

Option reserve

This reserve is a historical reserve used to record the consideration received for options granted to executives and employees as part of their remuneration. The Board resolved to clear this reserve to retained earnings in the current year.

Contributed capital of associate reserve

This reserve is a historical reserve which was used to record the Group's equity accounting of share issues by its associated entities. The Board resolved to clear this reserve to retained earnings in the current year.

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. The Board resolved to clear the fully amortised value of options, from the previous employee options plan, in this reserve to retained earnings in the current year.

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.

22. CASH FLOW STATEMENT RECONCILIATION

	2012 $	2011 $
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	**(4,906,456)**	(10,265,346)
Adjustments for:		
Depreciation	**28,579**	28,085
Net loss on disposal of non-current assets	**-**	3,730
Net (profit)/loss on disposal of investments	**9,762**	(15,274)
Net discount on acquisition of Syngene Limited	**(13,719)**	-
Dividends from equity investments	**(1,500)**	-
Employee benefits expense	**45,155**	231,272
Share of associates' net (profits)/losses	**(166,073)**	(31,195)
Impairment losses on non-current financial investments	**-**	611,439
Net exchange differences	**(84,685)**	273,572
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	**5,973**	(8,514)
Decrease/(increase) in interest receivable	**(53,959)**	8,080
Decrease in other receivables	**(1,423,638)**	47,097
(Decrease)/increase in payables	**(362,355)**	(150,827)
Increase/(decrease) in employee provisions	**44,593**	42,029
(Increase)/decrease in deferred tax assets	**(293,968)**	(143,905)
(Decrease)/increase in deferred tax liabilities	**(1,614)**	(45,808)
Net cash used in operating activities	**(7,173,904)**	(9,415,565)
(b) Non-cash financing and investing activities		
Share-based payments expense (note 26)	**45,155**	231,272
	45,155	231,272

(c) Disclosure of investing activities

Refer to notes 13 and 24.

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 2012 %	Share of project income 2011 %	Loss contributed[i] 2012 $	Loss contributed[i] 2011 $
Polychip Pharmaceuticals Pty Ltd and Monash University	Dicarba Analogues	**0**	50	**-**	80,000
Cancer Therapeutics Pty Ltd and Monash University	Peptide-Based Cancer Vaccine	**0**	75	**-**	-
				-	80,000

23(b). Other non-joint venture operations on research and development

Other non-joint venture research project costs[ii]	**3,595,677**	6,490,095
	3,595,677	6,570,095

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

(ii) 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.

23. RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

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

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

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

24. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

	Book value of parent entity investment and % equity interest			
	2012		2011	
Name of company	**$**	**%**	$	%
Circadian Ocular Oy[i]	**-**	**100**	-	100
Circadian Shareholdings Pty Ltd[ii]	**1**	**100**	1	100
Polychip Pharmaceuticals Pty Ltd	**2,028,734**	**100**	2,064,929	100
Cancer Therapeutics Pty Ltd	**-**	**100**	-	100
Syngene Limited[iii]	**1,381,640**	**52**	-	-
Vegenics Pty Ltd	**28,732,560**	**100**	27,949,955	100
	32,142,935		**30,014,885**	

(i) Circadian Ocular Oy is to be deregistered in 2012 and has been dormant since its creation in 2011. It was set up to potentially receive grant funds from Finland which were not forthcoming.

(ii) Circadian Shareholdings Pty Ltd is the trustee for the Employee Conditional Rights Plan.

(iii) Syngene Limited, a development company for unique peptide therapeutic technology, became a subsidiary on 8 February 2012.

Circadian Technologies Limited is the ultimate parent entity.

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

As at 30 June 2012, 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 $181,986 (2011: $203,621) was recognised in profit or loss of the parent entity 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 and Directors' Report.

(b) Transactions with related parties

(i) Loans receivable from subsidiaries of $17,000,676 (2011: $10,753,519) 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 $901,984 (2011: $594,817) 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)).

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

	2012	2011
	$	$
Subsidiaries		
Vegenics Pty Ltd	**17,000,676**	10,753,519

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.

(ii) The amortised value of the loans payable to subsidiaries of $577,972 (2011: $930,037) are non-interest bearing, unsecured and have no fixed terms of repayment of principal (repayments are not expected within the next year; however, as the parent funds the activities of its wholly-owned subsidiaries, the loan from subsidiaries will be reduced by these amounts). Interest of $42,496 was incurred by the parent during the year (2011: $62,813) 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:	**2012**	2011
	$	$
Subsidiaries		
Polychip Pharmaceuticals Pty Ltd	**577,972**	930,037
	577,972	930,037

(iii) In accordance with a management services agreement between Circadian and Vegenics Pty Ltd, Circadian charged Vegenics $2,640,000 (2011: $2,520,000) for the provision of management and related support services by Circadian. In 2012, Circadian established a management services agreement with Syngene Limited and charged Syngene $41,100 (2011: Nil) 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

	Consolidated	
	2012	2011
	$	$
(a) Compensation of Key Management Personnel		
Short-term employee benefits	**1,954,352**	1,848,855
Post employment benefits	**158,018**	142,528
Long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments expense	**33,252**	138,926
Total compensation	**2,145,622**	2,130,309

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

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	**2012**	**1,520,000**	**-**	**-**	**(1,000,000)**	**520,000**	**-**	**520,000**
	2011	1,000,000	520,000	-	-	1,520,000	1,000,000	520,000
Other executives								
I. Leitch	**2012**	**-**	**150,000**	**-**	**-**	**150,000**	**-**	**150,000**
	2011	-	-	-	-	-	-	-
M. Baldwin	**2012**	**400,000**	**-**	**-**	**-**	**400,000**	**200,000**	**200,000**
	2011	200,000	200,000	-	-	400,000	-	400,000
M. Gerometta	**2012**	**260,000**	**-**	**-**	**-**	**260,000**	**100,000**	**160,000**
	2011	100,000	160,000	-	-	260,000	-	260,000
M. Sullivan	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-	-	-
R. Chadwick	**2012**	**340,000**	**-**	**-**	**-**	**340,000**	**160,000**	**180,000**
	2011	160,000	180,000	-	-	340,000	-	340,000
S. Madden	**2012**	**200,000**	**-**	**-**	**-**	**200,000**	**-**	**200,000**
	2011	-	200,000	-	-	200,000	-	200,000
Total	**2012**	**2,720,000**	**150,000**	**-**	**(1,000,000)**	**1,870,000**	**460,000**	**1,410,000**
	2011	1,460,000	1,260,000	-	-	2,720,000	1,000,000	1,720,000

*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	**2012**	**197,519**	**-**	**-**	**74,735**	**272,254**
	2011	124,481	-	-	73,038	197,519
D. Fisher	**2012**	**117,500**	**-**	**-**	**50,000**	**167,500**
	2011	117,500	-	-	-	117,500
D. Clarke	**2012**	**80,000**	**-**	**-**	**-**	**80,000**
	2011	80,000	-	-	-	80,000
T. McMeckan	**2012**	**38,773**	**-**	**-**	**31,227**	**70,000**
	2011	30,000	-	-	8,773	38,773
C. Montagner[1]	**2012**	**22,058**	**-**	**-**	**(22,058)**	**-**
	2011	22,058	-	-	-	22,058
J. Skipper[2]	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
E. Malta	**2012**	**50,000**	**-**	**-**	**20,000**	**70,000**
	2011	50,000	-	-	-	50,000
Executives						
I. Leitch	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
M. Baldwin	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
M. Gerometta	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
M. Sullivan	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
R. Chadwick	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
S. Madden	**2012**	**-**	**-**	**-**	**-**	**-**
	2011	-	-	-	-	-
Total	**2012**	**505,850**	**-**	**-**	**153,904**	**659,754**
	2011	424,039	-	-	81,811	505,850

1 C. Montagner resigned as a non-executive director of Circadian on 14 October 2011.

2 J. Skipper retired as a non-executive director of Circadian on 24 November 2011.

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 been 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.

25. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

Director-related party transactions:

Purchases

(i) During the year, Circadian paid $19,167 (2011: $46,000) in donations to the Ludwig Institute of Cancer Research Ltd (LICR). Dr Jonathan Skipper, a former non-executive director of Circadian until 24 November 2011, is an executive officer of LICR.

(ii) Laboratory costs totalling $54,073 (2011: $63,570) were incurred during the year by Vegenics Limited for facilities provided by LICR.

(iii) Legal fees, including miscellaneous expenses, totalling $43,271 (2011: $87,315) 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.

(iv) Website fees totalling $31,436 (2011: $Nil) were incurred during the year by the Group for services provided by Helix Digital Pty Ltd of which Dominique Fisher, Chairman of the Company, is the managing director. These fees were charged at commercial rates.

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

	2012 $	2011 $
Assets and liabilities:		
Current assets	-	-
Non-current assets	-	-
	-	-
Current liabilities		
Payables	**10,373**	2,758
Non-current liabilities	-	-
	10,373	2,758
Revenues and expenses:		
Administrative expenses	**93,874**	133,315
Research & development expenses	**54,073**	63,570
	147,947	196,885

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:

	2012 $	2011 $
Expense arising from equity-settled share-based payment transactions (note 8(c))	**45,155**	231,272

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 five years of grant date; 2008, 2009 and 2010 options within approximately four years of grant date).

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

Performance Hurdles

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

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

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

The Share Price is to be calculated as the Volume Weighted Average 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 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).

26. SHARE-BASED PAYMENT PLANS (CONTINUED)

(b) Types of share-based payment plans (continued)

(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 II 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.

(c) Summary of options/rights granted

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

2012

Date of issue	16/05/2012[ii]	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	-	1,560,000	77,144	100,000	780,982	500,000	99,305	1,367,694
Granted during the year	150,000	-	-	-	-	-	-	
Exercised during the year	-	-	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	(500,000)	(99,305)	(1,367,694)
Outstanding at the end of the year	150,000	1,560,000	77,144	100,000	780,982	-	-	-

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
Exercisable at end of the year	-	-	-	-	-	-	-	-
Number of recipients	1	10	2	1	8	1	4	4
Exercise price	$0.00	$0.00	$1.00	$1.00	$1.00	$1.30	$1.50	$1.50
Exercise period from	4/09/12	4/09/12	26/06/12	15/12/11	15/09/11	8/02/11	9/03/11	8/02/11
To (Expiration day)	31/03/15	31/03/15	26/06/13	15/12/12	15/09/12	8/02/12	9/03/12	8/02/12

(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.

(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	16/05/12	22/03/11	26/06/09	15/12/08	15/09/08	18/02/08	5/03/07	8/02/07
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected annual volatility	50.0%	45.0%	45.0%	45.0%	45.0%	37.5%	37.5%	37.5%
Risk-free interest rate (p.a)	2.60%	5.04%	5.08%	3.73%	5.43%	6.54%	5.79%	5.99%
Expected life of option/right (years)	2.8	4.0	3.5	3.5	3.5	3.5	4.5	4.5
Fair value per option/right	11.00 cents	20.34 cents* -25.00 cents	20.96 cents -21.97 cents	11.28 cents -12.06 cents	27.99 cents -29.14 cents	24.64 cents -27.62 cents	41.01 cents -43.34 cents	67.45 cents -68.56 cents
Exercise price per option/right	$0.00	$0.00	$1.00	$1.00	$1.00	$1.30	$1.50	$1.50
Share price at grant date	$0.440	$0.700	$0.745	$0.58	$0.85	$1.025	$1.27	$1.61
Model used	Binomial**	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.

26. SHARE-BASED PAYMENT PLANS (CONTINUED)

(d) Pricing models for options and conditional rights granted (continued)

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 2012 and 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 2012 and 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.

27. COMMITMENTS

(i) Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for the office premises. A Deed of Extension of Lease was signed in March 2012 and provided for an extension of four years commencing on 13 June 2012. The lease was extended to June 2016; 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 four year extension. If notice was to have been given at 30 June 2012, the commitment for six months' rent would have amounted to $64,512 (2011: $55,840). Additionally, the Group entered into a rental agreement on office equipment for four years from 7 July 2011, the commitment within one year is $3,396 and after one year but not more than five years is $6,792 and is included in the schedule below.

	2012 $	2011 $
Within one year	**132,419**	109,874
After one year but not more than five years	**376,044**	10,188
	508,463	120,062

(ii) Research projects and licence commitments

The Group has entered into research and development and intellectual property licence agreements with various parties (refer to note 23 for details of some of the projects). Expenditure commitments relating to these are payable as follows:

	2012 $	2011 $
Within one year	**2,367,143**	960,820
After one year but not more than five years	**958,405**	749,895
After more than five years	**400,960**	398,169
	3,726,508	2,108,884

28. CONTINGENCIES

(i) Circadian and its subsidiaries are 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 time frames stipulated in the contracts, those which could become payable in less than one year total $130,000 (2011: $732,581) and those which could become payable in more than one year total $11,612,747 (2011: $10,469,015).

Further, under licence/collaboration agreements with three third parties, payments are to be made only if certain research and clinical development milestones are achieved and royalties may become payable on any eventual sales of products developed under these agreements.

(ii) Remuneration contingent liability – refer to "Employment contracts" in the Remuneration Report of the Directors' Report with respect to payments in lieu of notice where either the Managing Director resigns or the Company terminates his employment.

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

	2012 $	2011 $
The auditor of Circadian Technologies Limited is Deloitte Touche Tohmatsu		
Amounts received or due and receivable by Deloitte (Australia) for:		
an audit or review of the financial report of the entity and any other entity in the consolidated Group	**85,500**	-
other services in relation to the entity and any other entity in the consolidated Group	**-**	-
	85,500	-
The auditor of Circadian Technologies Limited was Ernst & Young for the previous financial year.		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
an audit or review of the financial report of the entity and any other entity in the consolidated Group	**-**	92,400
other services in relation to the entity and any other entity in the consolidated Group		
tax compliance	**-**	15,880
other tax services	**-**	24,440
assurance related	**-**	-
	-	132,720

31. NON-CONTROLLING INTEREST

	2012 $	2011 $
Balance at beginning of year	**-**	-
Non-controlling interests arising on the change in control of Syngene Limited on 8/2/2012	**(862,932)**	-
Additional non-controlling interests arising due to share issue	**(498,316)**	-
Share of (profit)/loss for the period to 30/6/2012	**69,203**	
Share of other comprehensive income for the period to 30/6/2012	**6,583**	
Balance at end of year	**(1,285,462)**	-

32. OTHER INTANGIBLE ASSETS

Carrying amounts of:		
Intellectual property	**500,000**	-
Cost:		
Balance at beginning of year	**-**	-
Acquisition of DiMitech platform technology	**500,000**	-
Balance at end of year	**500,000**	-

During the year, Syngene Limited acquired DiMitech platform technology intellectual property from Monash University to further develop unique therapeutic peptides. As Syngene is undertaking further experiments to improve upon the technology it is considered to have an indefinite useful life and has therefore not been amortised. Each year the Company will assess the development of the asset and consider any indications of impairment.

33. BUSINESS COMBINATIONS

(i) Subsidiaries acquired

2012

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred($)
Syngene Limited	Research	8/02/12	51.67	293,880

Syngene Limited was acquired on 8 February 2012 as a result of a rights issue by Syngene and effectively the Company gained control of this investment. Prior to this the Group owned 42.66% of Syngene which has been equity accounted until the date of the change in control. The acquisition of Syngene will enable the Group to develop a unique peptide therapeutic technology originally developed by Dr Andrea Robinson of Monash University's Department of Chemistry and which development had been supported by Circadian since 2006, as well as to increase the number of investments in ASX listed biotech companies.

(ii) Assets acquired and liabilities assumed at the date of acquisition

	Syngene Limited $
Current assets	
Cash and cash equivalents	994,965
Receivables	1,624
Non-current assets	
Available-for-sale investments	881,477
Deferred tax assets	132,801
Current liabilities	
Payables	(60,603)
Non-current liabilities	
Deferred tax liabilities	(132,801)
	1,817,463

The initial accounting for the acquisition of Syngene Limited has only been provisionally determined at the end of the reporting period. The available-for-sale investments were revalued to reflect fair value as at the date of acquisition. The deferred tax balances were determined based on these revaluations and are based on the directors' best estimate of the likely tax values.

(iii) Non-controlling interests

The non-controlling interest (47.48% ownership interest in Syngene Limited) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $862,932. This fair value was estimated by applying the percentage ownership to the net assets of Syngene Limited which had been fair valued at the date of acquisition. Refer note 31.

(iv) Net cash inflow on acquisition of subsidiaries

	2012 $	2011 $
Consideration paid in cash	**(293,880)**	-
Less: cash and cash equivalent balances acquired	**994,965**	-
	701,085	-

(v) Impact of acquisitions on the results of the Group

Included in the loss for the year is $59,683, which reflects the full loss attributable to the addition of Syngene Limited to the Group. Income for the year includes $48,746, of which the majority is interest generated from Syngene's term deposits. As Syngene had been equity accounted up until 8 February 2012, the profit generated by Syngene for the period 1 July 2011 to 8 February 2012 of $84,398 has not been recognised in the consolidated accounts so that only the post acquisition profits of Syngene are consolidated. The equity accounted share of profit to 8 February 2012 has been recognised at note 14(b).

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 notes thereto 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 2012 and of their performance for the year ended on that date; and

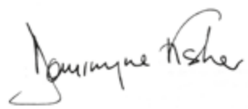
      (ii) complying with Australian Accounting Standards, Corporations Regulations 2001, and International Financial Reporting Standards (IFRS) as disclosed in note 2(a) of the financial statements; and

   (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 2012.

For and on behalf of the Board:

Robert Klupacs
Director



Dominique Fisher
Director

Melbourne
22 August 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Circadian Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Circadian Technologies Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, 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 as set out on pages 34 to 75.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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 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 judgement, 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 control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. 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.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Circadian Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's 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 2012 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 23 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
Melbourne, 22 August 2012

ASX ADDITIONAL INFORMATION

1. DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, of quoted fully paid ordinary shares as at 12 September 2012 is as follows:

	Fully Paid Ordinary Shares	
Category	No. of Holders	No. of Shares
1 – 1,000	586	495,026
1,001 – 5,000	1,312	3,561,227
5,001 – 10,000	365	2,867,937
10,001 – 100,000	320	8,681,427
100,001 – and over	39	32,939,172
	2,622	**48,544,789**

The number of shareholders holding less than a marketable parcel of shares are: 627 539,860

2. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted fully paid ordinary shares and their respective holdings as at 12 September 2012 are:

Rank	Name	No. of Shares	% Interest
1.	BNP Paribas Noms Pty Ltd <DRP>	8,384,734	17.27
2.	Citicorp Nominees Pty Limited	4,262,840	8.78
3.	Ludwig Institute For Cancer Research Ltd	3,122,090	6.43
4.	National Nominees Limited	2,297,921	4.73
5.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,077,182	4.28
6.	BNP Paribas Noms Pty Ltd <Master Cust DRP>	1,779,354	3.67
7.	Capital Macquarie Pty Limited	1,377,360	2.84
8.	Chemical Trustee Limited	1,158,108	2.39
9.	4 Eyes Limited <Worsley Family A/C>	756,254	1.56
10.	Jff Steven Pty Ltd	714,867	1.47
11.	Primdonn Nominees Pty Ltd	650,000	1.34
12.	Traders Macquarie Pty Limited	647,972	1.33
13.	Baker Brothers Life Sciences	435,966	0.90
14.	HSBC Custody Nominees (Australia) Limited	366,415	0.75
15.	Mr Eric Lucas	354,036	0.73
16.	Mr David John Massey <The D J Massey Super A/C>	322,730	0.66
17.	Mr Robert John Klupacs	302,754	0.62
18.	Bond Street Custodians Limited <PGG - V04243 A/C>	282,334	0.58
19.	Mr Roger William Sawkins + Mr Gary Robert Yong Gee <Nepean S/F A/C>	249,800	0.51
20.	Mr Michael Richard Tarant <Tarant Super Fund A/C>	240,000	0.49
Totals		**29,782,717**	**61.35**

3. SUBSTANTIAL SHAREHOLDERS

The following information is current at 12 September 2012 based on information extracted from substantial shareholding notices given to the Company by shareholders who hold relevant interests in more than 5 per cent of the Company's voting shares:

	No. of Shares
Packer & Co Limited <Packer & Co Investigator Trust>	7,724,421
University of Helsinki Holding Oy – formerly Licentia Limited	3,150,340
Ludwig Institute for Cancer Research Ltd	3,122,090

4. VOTING RIGHTS

Clauses 44 to 53 of the Company's Constitution stipulate the voting rights of members. In summary, but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for each ordinary share held by the member.

The Company's shares are quoted on the Australian Securities Exchange Limited (ASX code: CIR) and the OTC Markets Group Inc (OTCQX code: CKDXY).

CORPORATE INFORMATION

Company	Circadian Technologies Limited ABN 32 006 340 567
Directors	Dominique Fisher, BA(Hons), MAICD (Chairman) Robert Klupacs, BSc(Hons), Grad Dip IP Law, MAIPA (Managing Director and Chief Executive Officer) Don Clarke, LLB(Hons) Tina McMeckan, BLibArts&Sc, MBA, FAICD Errol Malta, BSc(Hons), PhD (Phamacology)
Company Secretary	Susan Madden, BBus, FCPA, GAICD
Registered Office	Level 1, 10 Wallace Avenue, Toorak, Victoria 3142
Principal Administrative Office	Level 1, 10 Wallace Avenue, Toorak, Victoria 3142 Telephone: +61 (3) 9826 0399 Facsimile: +61 (3) 9824 0083
Bankers	Commonwealth Bank of Australia, Melbourne, Victoria
Auditors	Deloitte Touche Tohmatsu, 550 Bourke Street, Melbourne, Victoria 3000
Solicitors	Minter Ellison, Rialto Towers, Level 23, 525 Collins Street, Melbourne, Victoria 3000
Share Register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Telephone: +61 (3) 9415 4000 or 1300 850 505 (within Australia)
Stock Exchange Listing	Circadian Technologies Limited's shares are quoted on the Australian Securities Exchange Limited ASX (code: CIR) Circadian also operates an American Depositary Receipt (ADR) program where One ADR is the equivalent of five shares. ADRs are publicly traded on the OTC QX In the United States of America (code: CKDXY).

Level 1 10 Wallace Avenue Toorak Victoria 3142 Australia
T +61 (3) 9826 0399 F +61 (3) 9824 0083 www.circadian.com.au

ABN 32 006 340 567