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CEO on Business Separation

Open Briefing interview with MD & CEO Robert Klupacs

Circadian Technologies Limited
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Circadian Technologies Limited (ASX:CIR, OTCQX:CKDXY) is an Australian biotechnology company developing biologics-based therapies for the treatment of cancer and other serious human illnesses. Circadian owns a portfolio of products and intellectual property related to Vascular Endothelial Growth Factors (VEGFs), a class of proteins that play a critical role in regulating tumour blood supply.

In this Open Briefing®, Robert discusses:

- Rationale for creating separate oncology and ophthalmology subsidiaries
- Increased funding flexibility under the new structure
- Opportunity for more rapid pipeline development

Record of interview:

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Circadian Technologies Limited recently created two new 100 percent owned subsidiaries, Ceres Oncology Pty Ltd and Opthea Pty Ltd to develop its vascular endothelial growth factor (VEGF) applications in oncology and ophthalmology respectively. What is the rationale for creating separate, specialist vehicles?

MD & CEO Robert Klupacs
Circadian has always been thought of as a "sum of the parts" story in the Australian market. Over the past few years it's become increasingly clear to us that a lot of potential investors or market participants have been struggling to see the inherent value in each of our respective businesses, and thus have been unable to ascribe full value to Circadian under its existing structure.

The new structure gives us much more flexibility. By separating the businesses, we believe we're providing a more focused investment story. Each of businesses now has very focused management, transparency around its operations and strategy, and a clearer path to value release. Now, when we're looking to raise money, we've got the option of raising it directly via the public company vehicle or raising it via the subsidiary vehicles. It also allows us to target specialised investors who, for example, are oncology focused or ophthalmology focused or diagnostics focused, to invest or partner without diluting their capital in areas outside their specific interest.

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You believe that separate valuation of the businesses should manifest in an increased Circadian parent share price. Why should this be the case when the subsidiaries will remain under the Circadian umbrella? Do you intend to demerge or sell the subsidiary businesses?

MD & CEO Robert Klupacs
We strongly believe there's significant inherent value in each of the businesses that isn't being recognised. Discussions we've already had with investors/partners in regards to the separate businesses have given us an indicative value of the technology in each. By

releasing this value with partners we would provide a clear guide for revaluing Circadian as the holding company that owns the rest of the respective businesses.

We don't as yet have any formal plans to sell down, demerge, or – as we've done in the past – spin out, the separate businesses but these are now options that are available to us and that we will definitely consider. As I said earlier, we have now created a significant amount of flexibility in relation to how we deal with these assets.

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You've also increased your investment in your existing 100 percent owned subsidiary Precision Diagnostics Pty Ltd, which includes the CUPGUIDE – Cancers of Unknown Primaries (CUP) test. How will the funds be used? What is your strategy for expanding sales of the CUPGUIDE?

MD & CEO Robert Klupacs
This increased investment will be used to accelerate the development of our tests in development, namely the VEGF-D and VEGF-C diagnostic kits and CUPGUIDE, to get them to registration stage, particularly in the US and UK.

We also recognise that in order to maximise our revenues from these tests we'll need to invest more in sales and marketing to assist Healthscope Advanced Pathology and our other partners. So some of the funds will be used for that and to support business development, including establishing partnerships, in the US and Europe.

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How will the separation of your various businesses impact the development of your product pipeline in the nearer term?

MD & CEO Robert Klupacs
Our hope and expectation is that it will accelerate our pipeline development in the short to near term. That's partly because as part of the separation strategy we've put dedicated leadership into each of entities and incentivised them with some very aggressive milestones, both technically and commercially.

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Thank you Robert.

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

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