

13 February 2009

31 DECEMBER 2008 HALF-YEAR RESULTS & OPERATIONAL ACHIEVEMENTS

No. of Pages: 31

- **Major progress in executing cancer drug development strategy**
- **Cash plus listed investments of \$46.8M**
- **Net cash outflows of \$4M**
- **Loss of \$5.3M** (including impairment losses and equity accounted losses of \$1.3M)

In accordance with Listing Rule 4.2A, we enclose the Half-Year Financial Report (reviewed) on the consolidated results of Circadian Technologies Limited ('Circadian' or 'Group') for the half-year ended 31 December 2008.

Key Financials

Results for the period predominantly reflect the change in the Group's strategy which has transformed from being a biotechnology seed investor and incubator of early stage technologies into a drug developer for treatments of cancer. Commensurate with its strategy, the Group has increased its drug development activities and spend on VEGF targeted cancer therapies which has been offset by the decrease in spend in non-core R&D activities.

At 31 December 2008 Circadian had total cash reserves plus listed investments (at market value) amounting to \$46.8 million.

A summary of the results for the Group for the reporting period/at balance date are as follows.

- A consolidated net loss of \$5.3M after income tax expense of \$46K (2007 half-year: loss of \$0.8M after income tax expense of \$0.5M). Note that a gain of \$2.6M was realised in the prior period on the sale of Avexa shares whereas in the current period only a small parcel was sold for a gain of \$5K.
- Cash reserves amounted to \$42.1M (30/6/2008: \$46.2M).
- Total market value for listed investments of \$4.7M (30/6/2008: \$11.2M). Including indirect interests, the market value of the listed holdings was \$5.5M (30/6/2008: \$12.7M).
- Net tangible asset backing per share of \$0.96 (30/6/2008: \$1.28) whereas Circadian's share price was \$0.58 (30/6/2008: \$0.88). The net tangible asset backing using the market value of the investment in Antisense of Therapeutics as opposed to its equity accounted value was \$1.02 at balance date (30/6/2008: \$1.43).
- Basic earnings per share: loss of 11.99 cents (2007 half-year: loss of 0.77 cents per share).
- Research and development costs of \$2.1M (2007 half-year period: \$1.4M), patent costs of \$0.9M (2007: \$0.89M) and intellectual property costs of \$0.3M (2007: \$0.1M) have been fully expensed.
- Impairment losses of \$0.8M were recognised relating to the Group's investments in Avexa Limited and Optiscan Imaging Limited as a result of the decrease in their respective share prices since 30 June 2008 to below their acquisition costs.
- An expense amount of \$0.3M being Circadian's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2008 as required under equity accounting (2007 half-year: \$0.48M).

An analysis of the results is provided in the Half Year Financial Report which follows.

Key Operational Highlights

(To be read in conjunction with the Half-Year Financial Report attached)

Circadian has made a number of successful steps and reported other successful outcomes with respect to the execution of its strategy as a developer of world class biologics drugs for cancer. These include:

- **Acquiring complete ownership of Vegenics**

On 14 August 2008 Circadian completed the acquisition of its former partially owned subsidiary Vegenics, giving it complete ownership and control of rights to Vegenics' extensive product pipeline and intellectual property relating to three exciting targets for the treatment of cancer, Vascular Endothelial Growth Factors (VEGF) C, D and the VEGFR-3 receptor. The value of these targets is highlighted by the success of Genentech Inc's multi-billion dollar anti-cancer drug Avastin® which is an antibody therapy against the closely related protein VEGF-A.

Circadian acquired the additional 33% interest in Vegenics (increasing its ownership to 100%) from Vegenics' cofounders the New York based Ludwig Institute for Cancer Research Ltd and Licentia Limited.

- **Licensee Ark Therapeutics received clearance to commence Phase 3 trial of Trinam®**

Vegenics licensee Ark Therapeutics Group plc (LSE: AKT) announced in early January 2009 that it had been notified by the US Food and Drug Administration to commence patient recruitment into its Phase 3 human trials of Trinam®, a novel treatment to improve quality of care and quality of life for kidney dialysis patients.

Trinam® is a gene-based medicine to prevent blood vessels from blocking in kidney dialysis patients who have undergone vascular access graft surgery.

Ark had previously reported that in a Phase 2 clinical trial the access grafts of patients given Trinam® remained functional for dialysis, on average, up to three times longer than in untreated controls.

Rights to employ the VEGF-D gene in Trinam® are licensed from Vegenics to Ark. Under the terms of the Vegenics/Ark license agreement, Vegenics is entitled to receive milestone payments on clinical development achievements and royalties on product sales. Trinam is one aspect of Vegenics' VEGF-D portfolio.

- **Licensee ImClone designated VEGFR-3 antibody (IMC-3C5) as a product development candidate for oncology indications**

In October 2008 Circadian announced that New York based licensee, ImClone Systems Incorporated advised that it has designated the human therapeutic antibody IMC-3C5 as a formal pre-clinical development candidate for oncology indications. IMC-3C5 is an antibody which neutralises VEGFR-3. Vascular endothelial growth factor, or VEGF, and its receptors play a pivotal role in normal and pathologic angiogenesis and are expressed in many solid and hematologic malignancies.

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

ImClone advised that it would undertake formal pre-clinical studies for IMC-3C5. The first indications to be investigated will be in solid tumours.

- **Completion of a series of humanised and improved VEGF-D antibodies for the VGX-200 cancer treatment program**

Vegenics' VEGF-D antibodies (VGX-200) were successfully humanised and optimised using Arana Therapeutics Limited's (ASX: AAH) proprietary technology. The purpose of converting a non-human antibody into a human-like antibody is so that it may be safely administered to patients minimising the risk of rejection of the treatment. The potency of these drug candidates was then further improved using Arana's optimisation technology.

Vegenics will now conduct further pre-clinical studies on the series of humanised and improved VEGF-D antibody drug candidates.

- **Key strategic patent granted in the US covering VEGF-D angiogenesis inhibitors**

In August 2008 Vegenics was granted a United States patent covering all therapeutic and diagnostic uses for antibodies to VEGF-D, a major novel target for cancer and other diseases. The patent, which grants exclusive rights to VEGF-D antibodies and to the use of VEGF-D antibodies in all therapeutic indications and diagnostic applications, provides a major commercial advantage to Vegenics. It ensures that only Vegenics can commercialise VEGF-D antibodies for therapeutic applications in the United States, the world's largest pharmaceutical market. The term of the patent extends until mid 2019.

For further details regarding Circadian's half-year results and operational highlights refer to the Half-Year Financial Report attached.

For information regarding the progress of Circadian's listed technology holdings, see their respective public announcements which can be found on their respective websites and on www.asx.com.au.

This letter and the attached Half-Year Financial Report form part of this announcement to the Australian Stock Exchange Limited, and should be read in conjunction with the Company's Annual Report for the year ended 30 June 2008.

Yours faithfully

Natalie Korchev
Company Secretary & CFO

APPENDIX 4D

Half-Year Report

Name of entity: **CIRCADIAN TECHNOLOGIES LIMITED**

ABN: **32 006 340 567**

Reporting period: **HALF-YEAR ENDED 31 DECEMBER 2008**

Previous
corresponding period: **HALF-YEAR ENDED 31 DECEMBER 2007**

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2. Financial Report:
 - Directors' Report
 - Auditor's Independence Declaration
 - Financial Statements
 - Directors' Declaration
 - Independent Review Report

**THIS HALF-YEAR REPORT IS TO BE READ IN CONJUNCTION WITH THE
COMPANY'S 2008 ANNUAL REPORT**

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The consolidated results of Circadian Technologies Limited for the six months ended 31 December 2008 are as follow:

		Change compared to		
		31/12/2007		31/12/2008
		%		\$
Revenues and Results from Ordinary Activities:				
Revenues from ordinary activities	Down	57	to	1,808,342
Loss from ordinary activities after tax attributable to members	Loss has increased	1608		(5,275,975)
Loss for the period attributable to members	Loss has increased	1608		(5,275,975)
An explanation of the figures reported above are contained in the Directors' Report under the heading 'Results'.				
Shareholder Distributions				
No dividends have been paid or declared by the entity since the beginning of the current reporting period.				
		Consolidated		
NTA backing		31/12/2008		30/06/2008
Net tangible asset backing per ordinary security		\$0.96		\$1.28
Status of review of accounts				
The financial report for the half-year ended 31 December 2008 has been reviewed. The review report is included with the financial report.				

**CIRCADIAN TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES**

ABN 32 006 340 567

**Condensed Financial Report
for the half-year ended 31 December 2008**

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

DIRECTORS' REPORT

The board of directors of Circadian Technologies Limited (Circadian or Company) has pleasure in submitting their report for the half-year ended 31 December 2008.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dominique Fisher (Non-Executive Chairman)
Robert Klupacs (Managing Director)
Donald Clarke (Non-Executive Director)
Tina McMeckan (Non-Executive Director)
Carlo Montagner (Non-Executive Director)
Jonathan Skipper (Non-Executive Director)
John Stocker (Non-Executive Director) (retired 14 November 2008)
James MacKenzie (Non-Executive Director) (resigned 31 July 2008)

Results

Results for the period predominantly reflect the change in principal activities of the Group which has transformed from being a biotechnology seed investor and incubator of early stage technologies into a drug developer for treatments of cancer as well as for other high unmet medical need disease indications.

A summary of the results is as follows.

- The consolidated net loss of the Group for the half-year was \$5,278,671 after an income tax expense of \$45,868 (2007 half-year period: loss of \$847,708 after an income tax expense of \$495,187).
- Consolidated cash reserves as at 31 December 2008 amounted to \$42,141,715 (30/6/2008: \$46,216,626).
- The combined market value of the Group's shareholdings in listed investments as at 31 December 2008 was \$4,699,834 (30/6/2008: \$11,185,749). Including its indirect interests, the market value of the listed holdings was \$5,506,949 (30/6/2008: \$12,753,858).
- The net tangible asset backing per share as at 31 December 2008 was \$0.96 (30/6/2008: \$1.28) whereas Circadian's share price was \$0.58 (30/6/2008: \$0.88). The net tangible asset backing using the market value of the investment in Antisense Therapeutics as opposed to its equity accounted value was \$1.02 at balance date (30/6/2008: \$1.43).
- Basic earnings per share: loss of 11.99 cents (2007 half-year period: loss of 0.77 cents per share).
- All research and development costs of \$2,116,334 (2007 half-year period: \$1,371,396), patent costs of \$909,744 (2007: \$897,997) and intellectual property costs of \$304,275 (2007: \$113,534) have been expensed during the period.
- Impairment losses of \$837,146 were recognised relating to the Group's investments in Avexa Limited and Optiscan Imaging Limited as a result of the decrease in their respective share prices since 30 June 2008 to below their acquisition costs.
- An expense amount of \$342,160 being Circadian's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2008 as required under equity accounting (2007 half-year period: \$484,795).

Analysis of results:

Commensurate with its strategy, the Group has increased its drug development activities and spend on VEGF targeted therapies which has been offset by the decrease in spend in non-core R&D activities.

During the prior half year ended 31 December 2007 a net gain of \$2,575,377 was realised on the sale of 5,580,000 ordinary shares in Avexa Limited, whereas in the current period only 25,000 Avexa shares were sold which realised a gain of \$5,313. These gains included recoupment of previously recognised impairment losses of \$1,633,108 (2007) and \$7,317 (2008) respectively.

Since 30 June 2008 many listed biotechnology companies have seen significant declines in their respective share prices along side the overall decline in the economy/markets. The Group's investments in listed companies Antisense Therapeutics (18.7% direct interest), Optiscan Imaging (6.9% interest) and Avexa (1.7% interest) have all experienced declines in their respective market values. However, the market values of interests in Optiscan and Avexa have fallen below their acquisition costs and as such the board and management have deemed it appropriate to recognise the total unrealised losses on these investments of \$837,146 in the income statement as impairment losses, as it is unknown when a recovery in the share prices of these companies may occur. There were no impairment losses on listed investments recognised in the prior period.

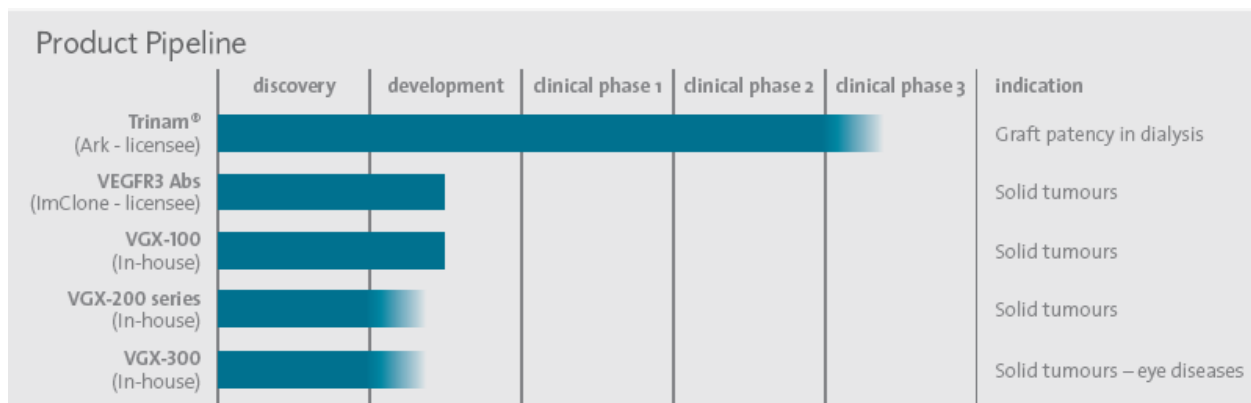
Due to the overall significant decline in the Australian dollar during the current period, both realised and unrealised exchange losses have been recognised relating to US dollar and Euro dollar denominated patent costs and R&D costs which have been offset by gains on foreign currency denominated royalty income. In contrast, during the prior period the Australian dollar actually strengthened which is why foreign exchange gains were recognised in "other income" in the income statement.

Review of Operations

Circadian - Developing Biological Therapeutics for Cancer

During the 2008 financial year, the Circadian Group underwent a significant and positive change in its business whereby it has moved from being a biotechnology investor and incubator of early stage technologies to a developer of biologics therapeutics for cancer. This strategy focuses on the outstanding commercial potential of Vegenics' (now wholly owned by Circadian) intellectual property rights to three exciting targets for the treatment of cancer, Vascular Endothelial Growth Factors (VEGF) C, D and the VEGFR-3 receptor. The value of these targets is highlighted by the success of Genentech Inc's multi-billion dollar anti-cancer drug Avastin® which is an antibody therapy against the closely related protein VEGF-A.

The Group's product pipeline includes programs partnered with leading international biotechnology companies and programs currently being developed in-house.



- Trinam®, a novel treatment to improve quality of care and quality of life for kidney dialysis patients, is being developed by licensee Ark Therapeutics Group plc, a company listed on the London Stock Exchange. This VEGF-D gene therapy product recently commenced recruitment into its Phase 3 human trial.
- IMC-3C5, an antibody which neutralises VEGFR-3, has been designated by licensee ImClone Systems Incorporated (recently acquired by Eli Lilly & Company) as a formal pre-clinical candidate for oncology indications.
- In-house earlier stage products which are potential treatments for solid tumours:
 - VGX-100 – a human VEGF-C antibody
 - VGX-200 series – humanised VEGF-D antibodies
 - VGX-300 – a VEGFR-3 protein which may not only have applications in cancer but also has potential as a treatment for eye disease.

An update is provided below on the Group's key operational/business activities and achievements since 30 June 2008. The 30 June 2008 annual report contains detailed background information relating to the Group's projects and investments and should be read in conjunction with this report.

Key operational highlights include:

- **Acquiring complete ownership of Vegedics**

On 14 August 2008, Circadian completed the acquisition of its former partially owned subsidiary Vegedics, giving it complete ownership and control of rights to Vegedics' extensive product pipeline and intellectual property. It acquired the additional 33% interest in Vegedics (increasing its ownership to 100%) from Vegedics' cofounders the Ludwig Institute for Cancer Research Ltd (LICR) and Licentia Limited. Under this transaction LICR and Licentia have become substantial shareholders of Circadian. Further details regarding this transaction are contained in the notes to the financial statements.

- **Licensee Ark Therapeutics receives clearance to commence Phase 3 trial of Trinam®**

Vegedics licensee Ark Therapeutics Group plc (LSE: AKT) announced in early January 2009 that it had been notified by the US Food and Drug Administration to commence patient recruitment into its Phase 3 human trials of Trinam®, a novel treatment to improve quality of care and quality of life for kidney dialysis patients.

Trinam® is a gene-based medicine to prevent blood vessels from blocking in kidney dialysis patients who have undergone vascular access graft surgery. The product is an adenovirus-mediated VEGF-D gene delivered with a novel biodegradable local delivery device.

In March 2007, Ark reported that in a Phase 2 clinical trial the access grafts of patients given Trinam® remained functional for dialysis, on average, up to three times longer than in untreated controls.

Rights to employ the VEGF-D gene in Trinam® are licensed from Vegedics to Ark. Under the terms of the Vegedics/Ark license agreement, Vegedics is entitled to receive milestone payments on clinical development achievements and royalties on product sales. Trinam® is one aspect of Vegedics' VEGF-D portfolio.

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

ImClone advised that it would undertake formal pre-clinical studies for IMC-3C5. The first indications to be investigated will be in solid tumours.

Scientists from ImClone together with Vegenics' collaborator scientists recently published in the prestigious scientific journal *Nature* that VEGFR-3 has a previously unknown role in directing the formation of blood supply to tumours as well as to the retina.

Using antibodies to block both receptors VEGFR-2 and VEGFR-3, the research team found an additive effect of inhibition of tumour growth in animals by effectively starving the cancer cells. Prior to this finding VEGFR-3's only known role was in mediating the growth of lymphatic tissues.

The findings as published in *Nature*¹ indicate that the efficacy of existing anti-angiogenic therapies, such as multi-billion dollar cancer drug Avastin®, may be improved by the addition of agents which inhibit VEGFR-3 mediated angiogenesis such as VEGF-C or VEGF-D antibodies.

- **Completion of a series of humanised and improved VEGF-D antibodies for the VGX-200 cancer treatment program**

Vegenics' VEGF-D antibodies (VGX-200) were successfully humanised and optimised using Arana Therapeutics Limited's (ASX: AAH) proprietary technology. The purpose of converting a non-human antibody into a human-like antibody is so that it may be safely administered to patients minimising the risk of rejection of the treatment. The potency of these drug candidates was then further improved using Arana's optimisation technology.

Vegenics will now conduct further pre-clinical studies on the series of humanised and improved VEGF-D antibody drug candidates.

- **Key strategic patent granted in the US covering VEGF-D angiogenesis inhibitors**

In August 2008, Vegenics was granted a United States patent covering all therapeutic and diagnostic uses for antibodies to VEGF-D, a major novel target for cancer and other diseases. The patent, which grants exclusive rights to VEGF-D antibodies and to the use of VEGF-D antibodies in all therapeutic indications and diagnostic applications, provides a major commercial advantage to Vegenics. It ensures that only Vegenics can commercialise VEGF-D antibodies for therapeutic applications in the United States, the world's largest pharmaceutical market. The term of the patent extends until mid 2019.

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 projects and technology investments. Investment in research 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 report may contain forward-looking statements regarding the potential of the company's projects and interests and the development and therapeutic potential of the company's research and development. Any statement describing a goal, expectation, intention or belief of the company 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 company's research and development projects and interests (where applicable) will


¹ Nature 2008 Jul 31; 454 (7204); 656-60 Epub 2008 June 25.

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 company's research and development program referred to in this report.


Auditor's Independence Declaration

The Directors have obtained a declaration of independence from Ernst & Young, the Group's auditors, which is attached to this report.

For and on behalf of the Board:

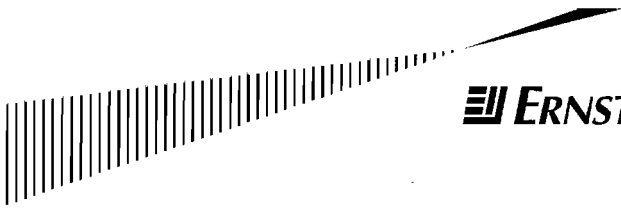


Robert Klupacs
Director



Dominique Fisher
Director

Melbourne
13 February 2009



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

In relation to our review of the half-year financial report of Circadian Technologies Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Joanne Lonergan

Joanne Lonergan
Partner

Date: 13 February 2009

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	Consolidated	
		31 December 2008 \$	30 June 2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	42,141,715	46,216,626
Receivables		467,439	536,923
Prepayments		102,380	323,330
Total Current Assets		<u>42,711,534</u>	<u>47,076,879</u>
Non-Current Assets			
Financial investments	7	958,107	3,916,107
Investments in associates	8	1,402,939	2,361,158
Deferred tax asset		149,152	418,738
Plant and equipment		73,880	79,715
Total Non-Current Assets		<u>2,584,078</u>	<u>6,775,718</u>
TOTAL ASSETS		<u>45,295,612</u>	<u>53,852,597</u>
LIABILITIES			
Current Liabilities			
Payables		1,720,418	1,665,234
Provisions		185,310	121,551
Total Current Liabilities		<u>1,905,728</u>	<u>1,786,785</u>
Non-Current Liabilities			
Deferred tax liability		149,251	648,660
Provisions		16,127	9,739
Total Non-Current Liabilities		<u>165,378</u>	<u>658,399</u>
TOTAL LIABILITIES		<u>2,071,106</u>	<u>2,445,184</u>
NET ASSETS		<u>43,224,506</u>	<u>51,407,413</u>
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	11	38,374,094	33,167,977
Retained earnings		8,607,897	13,883,872
Reserves	12	(3,784,033)	373,621
Parent interests		<u>43,197,958</u>	<u>47,425,470</u>
Minority interests	9	26,548	3,981,943
TOTAL EQUITY		<u>43,224,506</u>	<u>51,407,413</u>

INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated	
		31 December 2008	31 December 2007
		\$	\$
Finance revenue		1,510,251	1,547,123
Investment income		5,313	2,575,377
Royalties and licence fees		292,778	78,518
Revenue	4	<u>1,808,342</u>	<u>4,201,018</u>
Other income		-	104,643
Research and development expenses		(2,116,334)	(1,371,396)
Intellectual property costs		(304,275)	(113,534)
Patent expenses		(909,744)	(897,997)
Administrative expenses		(2,023,886)	(1,753,824)
Occupancy expenses		(69,494)	(65,642)
Impairment losses	5	(867,146)	(1,733)
Share of net loss of associates	8(b)	(443,906)	(454,056)
Foreign exchange losses		(306,360)	-
Loss before income tax		<u>(5,232,803)</u>	<u>(352,521)</u>
Income tax expense	6	(45,868)	(495,187)
Loss for the period		<u>(5,278,671)</u>	<u>(847,708)</u>
Attributable to:			
Minority interests		(2,696)	(538,855)
Members of the parent		<u>(5,275,975)</u>	<u>(308,853)</u>
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
- basic loss per share		(11.99)	(0.77)
- diluted loss per share		(11.99)	(0.77)

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES - HALF-YEAR REPORT

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	CONSOLIDATED – Attributable to equity holders of the parent								Minority interests	Total equity	
	Contributed equity	Asset revaluation reserve	Option reserve	Contributed capital of associate reserve	Employee equity benefits reserve	Equity reserve – parent	Net unrealised gains reserve (note 12)	Retained earnings	Total		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2007	33,167,977	734,407	19	811,855	907,221	(5,238,453)	10,430,747	15,031,677	55,845,450	5,120,257	60,965,707
Net unrealised losses on non-current listed investments for the period	-	-	-	-	-	-	(3,367,872)	-	(3,367,872)	-	(3,367,872)
Realised gain on non-current listed investment transferred to the income statement	-	-	-	-	-	-	(1,807,677)	-	(1,807,677)	-	(1,807,677)
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	(5,175,549)	-	(5,175,549)	-	(5,175,549)
Loss for the period	-	-	-	-	-	-	-	(308,853)	(308,853)	(538,855)	(847,708)
Total recognised income and expense for the period	-	-	-	-	-	-	(5,175,549)	(308,853)	(5,484,402)	(538,855)	(6,023,257)
Cost of share-based payment	-	-	-	-	26,667	-	-	-	26,667	-	26,667
At 31 December 2007	33,167,977	734,407	19	811,855	933,888	(5,238,453)	5,255,198	14,722,824	50,387,715	4,581,402	54,969,117
At 1 July 2008	33,167,977	734,407	19	1,007,683	1,020,539	(5,238,453)	2,849,426	13,883,872	47,425,470	3,981,943	51,407,413
Net unrealised losses on non-current listed investments for the period	-	-	-	-	-	-	(2,925,423)	-	(2,925,423)	-	(2,925,423)
Realised gain on non-current listed investment transferred to the income statement	-	-	-	-	-	-	(4,925)	-	(4,925)	-	(4,925)
Unrealised impairment losses recognised in the income statement	-	-	-	-	-	-	576,344	-	576,344	-	576,344
Share of associates' movement in equity reserve	-	-	-	18,383	-	-	-	-	18,383	-	18,383
Total income and expense for the period recognised directly in equity	-	-	-	18,383	-	-	(2,354,004)	-	(2,335,621)	-	(2,335,621)
Loss for the period	-	-	-	-	-	-	-	(5,275,975)	(5,275,975)	(2,696)	(5,278,671)
Total recognised income and expense for the period	-	-	-	18,383	-	-	(2,354,004)	(5,275,975)	(7,611,596)	(2,696)	(7,614,292)
Cost of share-based payment	-	-	-	-	111,657	-	-	-	111,657	-	111,657
Acquisition of minority interests (note 9)	5,206,117	-	-	-	-	(1,933,690)	-	-	3,272,427	(3,952,699)	(680,272)
At 31 December 2008	38,374,094	734,407	19	1,026,066	1,132,196	(7,172,143)	495,422	8,607,897	43,197,958	26,548	43,224,506

CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated	
		31 December 2008	31 December 2007
		\$	\$
Cash flows from operating activities:			
Proceeds from sale of investments		8,937	3,384,476
Interest received		1,639,621	1,493,883
Receipt of government grants (inclusive of GST)		-	35,669
Royalty and licence income received		75,437	53,757
Other receipts (inclusive of GST)		-	12,375
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(5,077,975)	(5,076,721)
Income tax paid		-	(380,000)
Net cash flows used in operating activities		<u>(3,353,980)</u>	<u>(476,561)</u>
Cash flows from investing activities:			
Acquisition of minority interests in subsidiary	9, 11	(680,272)	-
Purchase of plant and equipment		(10,659)	(2,298)
Loan to associate		(30,000)	-
Net cash flows used in investing activities		<u>(720,931)</u>	<u>(2,298)</u>
Cash flows from financing activities:			
Payment of unfranked dividends	(i)	-	(5,278)
Return of capital to shareholders	(i)	-	(10,510)
Net cash flows used in financing activities		<u>-</u>	<u>(15,788)</u>
Net decrease in cash and cash equivalents		(4,074,911)	(494,647)
Cash and cash equivalents at beginning of period		46,216,626	48,193,383
Cash and cash equivalents at end of period	10	<u>42,141,715</u>	<u>47,698,736</u>

- (i) Dividends and a return of capital to shareholders were declared during the financial year ended 30 June 2005. In April 2008, all unclaimed monies were paid over to the State Revenue Office. The prior period payments are to those shareholders who were not paid during the financial year ended 30 June 2005 due to their addresses being unknown at that time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. CORPORATE INFORMATION

The financial report of Circadian Technologies Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 13 February 2009.

Circadian Technologies Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 3 Segment Information.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis, except for investments classified as available-for-sale which are carried at fair value and investments in associates which have been equity accounted.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and considered together with any public announcements made by Circadian Technologies Limited and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

The financial report is presented in Australian dollars.

(b) Changes in accounting policy

The accounting policies and methods of computation are consistent with those of the most recent annual financial report. There have been no new accounting standards or interpretations issued that have/will affect the Group for the half-year ended 31 December 2008 or the full year ending 30 June 2009.

(c) Acquisition of minority interests - premium on acquisition

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

3. 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 focussed primarily on developing treatments for cancer as well as for other high unmet medical need disease indications.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
4. REVENUE		
(a) Finance revenue		
Interest from:		
- Bank	1,494,851	1,533,337
- Related party – associated company	15,400	13,736
- Other unrelated persons	-	50
	1,510,251	1,547,123
(b) Investment income		
Net gain on sale of investments (i)	5,313	2,575,377
(c) Royalties and licence fees	292,778	78,518
<i>Total revenue</i>	1,808,342	4,201,018

(i) The net gain on sale of investments is in respect to the sale of ordinary shares in Avexa Limited as follows:

Net proceeds from sale of shares	8,937	3,384,476
Original cost of shares sold	10,941	2,442,207
(Loss)/gain on sale of shares	(2,004)	942,269
Recovery of impairment losses recognised prior to 1.7.05	7,317	1,633,108
Total	5,313	2,575,377

31 December 2008:

The sale relates to 25,000 ordinary shares in Avexa Limited sold in July 2008. The Group retains 7,062,914 shares in Avexa after the sale of the shares.

The shares sold during the current period relate to those shares which recognised an impairment loss in the 30 June 2005 year (see below). As such, the recovery of losses on the parcel of shares sold during the period amounted to \$7,317.

Also see note 5 regarding impairment losses on the shares held at 31 December 2008 and note 7.

31 December 2007:

The Group sold 5,580,000 ordinary shares in Avexa Limited during the period from 13 November 2007 to 12 December 2007.

Total impairment losses of \$4,411,119 at 30 June 2005 relating to 19,132,292 Avexa shares were recognised through profit or loss. All the shares sold during the period are from the parcel which recognised the impairment loss in the 30 June 2005 year. As such, the recovery of impairment losses of \$1,633,108 relates to this parcel of shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
5. EXPENSES		
<i>Impairment losses</i>		
Loan to associate (note 8)	(30,000)	-
Listed financial investments (i)	(837,146)	-
Other financial asset	-	(1,733)
	(867,146)	(1,733)

- (i) The market values of interests in Avexa and Optiscan have fallen below their acquisition costs and as such the board and management have deemed it appropriate to recognise the total unrealised losses on these investments of \$837,146 in the income statement as impairment losses, as it is unknown when a recovery in the share prices of these companies may occur. Impairment losses for each respective investment are as follows:

Avexa Limited

An impairment loss of \$529,719 was recognised in profit or loss due to the decrease in Avexa's share price to 7 cents at 31 December 2008. A permanent impairment was previously recognised at 30 June 2005 when Avexa's share price was 14.5 cents but its cost per share was 43.76 cents (also see note 4(b) above and note 7).

Optiscan Imaging Limited

An impairment loss of \$307,427 was recognised in profit or loss due to Optiscan's share price decreasing to 5.7 cents at 31 December 2008, which is below the average cost price of 9.5 cents per share. The amount of \$307,427 represents the market value of the shares at 31 December 2008 of \$463,704 less the cost price of the investment of \$771,131 (also see note 7).

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$

6. INCOME TAX

(a) Income Tax Expense

The major components of income tax expense for the half-year ended 31 December 2008 and 31 December 2007 are:

Consolidated Income Statement

<i>Current income tax</i>		
Current income tax charge/(benefit)	405,045	(58,801)
Adjustments in respect of current income tax of previous years	(117,831)	(16,073)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(241,346)	570,061
Income tax expense reported in the income statement	45,868	495,187

The income tax charge during the current period reflects the realised tax losses booked at 30 June 2008 which have now been derecognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. INCOME TAX (continued)

(a) Income Tax Expense (continued)

At 30 June 2008, these realised tax losses were recognised due to there being sufficient deferred tax liability on the unrealised gains on the listed investments owned by the Group. There are no unrealised gains on investments as at 31 December 2008.

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
(b) Amounts charged or credited directly to equity		
Tax benefit on net unrealised losses on listed investments	(556,274)	(1,491,800)
Tax benefit on unrealised impairment losses transferred out of reserves	260,802	-
Tax expense on realised gains transferred to the income statement	<u>(450)</u>	<u>(774,719)</u>
Income tax expense reported in equity	<u>(295,922)</u>	<u>(2,266,519)</u>

The tax benefit on net unrealised losses recognised in equity during the half-year ended 31 December 2007 is greater than that for the current period as the actual unrealised losses were higher predominantly due to a decrease in the share price of listed holding Metabolic Pharmaceuticals Limited. Circadian disposed of the balance of this holding in May 2008.

The tax expense on realised gains transferred to the income statement relate to the sale of Avexa Limited shares for both periods. See note 4 for details regarding these sales.

Note 5 provides details on the nature of the impairment losses. The tax benefit relating to these has been reversed out of the net unrealised gains reserve. However, as it is not considered probable of being realised it has not been recognised as a tax benefit in the income statement.

(c) Members of the tax consolidated group

Circadian Technologies Limited is the head entity of the tax consolidated group (Group) which includes its 100% owned subsidiaries. Vegenics Limited, which became a wholly owned subsidiary of Circadian Technologies Limited on 14 August 2008, has joined this tax consolidated group effective from that date which means that from 14 August 2008 tax losses generated by Vegenics may be used within the Group to offset any possible future taxable income. The extent to which tax losses generated by Vegenics prior to 14 August 2008 which may be made available to the Group is to be determined (also see (d) below).

(d) Carry forward unrecognised tax losses

The Group had income tax losses of \$1,471,757 at period end (31/12/2007: \$58,801) (these amounts are tax effected at 30%) for which no deferred tax asset is recognised on the balance sheet 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.

Vegenics had generated income tax losses of \$2,518,737 (tax effected at 30%) prior to the company entering the tax consolidated group on 14 August 2008. These also have not been recognised in the balance sheet – see note (c) above.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

7. FINANCIAL INVESTMENTS**Details of listed shares**

	Ownership Interest		Fair Value (i)		Cost of Investment	
	Dec 2008	Jun 2008	Dec 2008	Jun 2008	Dec 2008	Jun 2008
Listed Investments	%	%	\$	\$	\$	\$
<i>Non-current investments:</i>						
Avexa Limited (ii)	1.7	1.8	494,404	2,126,374	3,091,236	3,102,178
Optiscan Imaging Ltd (iii)	6.9	7.0	463,703	1,789,733	771,131	771,131
			958,107	3,916,107	3,862,367	3,873,309
<i>Associate:</i>						
Antisense Therapeutics Ltd (iv) (note 8)	18.7	18.7	3,741,727	7,269,642	3,114,766	3,114,766
Total listed investments			4,699,834	11,185,749	6,977,133	6,988,075

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 period end, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments. The capital gains tax that may be applicable on the disposal of these investments is included in the deferred tax liability account.
- (ii) During the current period, the Group sold 25,000 shares in Avexa for total net proceeds (after brokerage fees) of \$8,937. See note 4(b) for further details.
- An impairment loss of \$529,719 was recognised in profit or loss during the current period relating to the investment in Avexa. See note 5 for further details.
- (iii) An impairment loss of \$307,427 was recognised in profit or loss during the current period relating to the investment in Optiscan. See note 5 for further details.
- (iv) The consolidated entity's total undiluted interest in Antisense Therapeutics, including its indirect interest in Antisense Therapeutics through its investment in Syngene Limited, amounted to 22.8% at period end (30/6/2008: 22.8%), representing a market value of \$4,548,842 (cost: \$3,214,136).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

8. INVESTMENTS IN ASSOCIATES

(a) Details of material interests in associated entities are as follows:

Name and Principal Activities	Ownership Interest		Carrying Amount	
	Dec 2008	Jun 2008	Dec 2008	Jun 2008
	%		\$	
<i>Listed:</i>				
Antisense Therapeutics Ltd – Gene directed therapeutics	18.7	18.7	862,704	1,186,481
<i>Unlisted:</i>				
Syngene Limited – Gene diagnostics (i)	42.4	42.4	540,235	1,174,677
			1,402,939	2,361,158

All associated entities were incorporated in Australia.

- (i) The movement between periods in the carrying amount of the investment in Syngene Limited includes an amount of \$532,696 representing the Group's share of the decrease in the fair value of Syngene's 9.53% investment in Antisense Therapeutics Limited. Antisense Therapeutics' share price decreased from 6.8 cents at 30 June 2008 to 3.5 cents at 31 December 2008. The movement in the fair value of this investment during the period is recognised in the net unrealised gains reserve account (see note 12).

(b) Share of the associates' profit or loss

	Antisense Therapeutics Ltd		Syngene Ltd	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
	\$		\$	
Revenue	35,948	42,260	6,813	10,720
Loss before income tax	(342,160)	(484,795)	(19,878)	(17,688)
Income tax (expense)/benefit	-	-	(81,868)	48,427
Net loss recognised in income statement	(342,160)	(484,795)	(101,746)	30,739

(c) Fair value of investment in listed associate

The fair value of the Group's investment in Antisense Therapeutics Limited at period end was \$3,741,727 (30 June 2008: \$7,269,642). Also see note 7(iv).

(d) Impairment

There was an impairment loss of \$30,000 in the current period relating to the write-down of the loan advanced to Syngene Limited. This amount is included in the line item 'Impairment losses' in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
9. MINORITY INTERESTS		
(a) Balance of minority interests		
At balance date, the minority interests in the Group comprised:		
Share of contributed equity	280,084	8,922,784
Share of accumulated losses	<u>(253,536)</u>	<u>(4,940,841)</u>
	<u>26,548</u>	<u>3,981,943</u>

The balance at 31 December 2008 represents the minority interest (40%) in CancerProbe Pty Ltd. The balance at 30 June 2008 also includes the minority interest (33%) in Vegenics Limited, which was acquired by Circadian on 14 August 2008 (see 9(b) below).

(b) Acquisition of minority interests

As detailed in note 11, Circadian completed its acquisition of the Ludwig Institute for Cancer Research Ltd's (LICR) and Licentia Limited's (Licentia) combined 33% interest in Vegenics on 14 August 2008. This increased Circadian's interest in Vegenics from 67% to 100%.

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

Details of the transaction are as follows:

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
Consideration:		
Issue of 5,117,430 ordinary shares – at fair value	4,247,467	-
Deferred issue of 1,155,000 ordinary shares – at fair value	<u>958,650</u>	<u>-</u>
	5,206,117	-
Cash	<u>680,272</u>	<u>-</u>
Total consideration	5,886,389	-
Minority interests acquired in Vegenics	<u>3,952,699</u>	<u>-</u>
Premium paid on acquisition (note 12(ii))	<u>1,933,690</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$

10. CASH & CASH EQUIVALENTS AND NON-CASH INVESTING ACTIVITIES

(a) Cash and cash equivalents

For the purposes of the half-year Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

Cash at bank and in hand	1,581,715	1,648,736
Short-term deposits	<u>40,560,000</u>	<u>46,050,000</u>
	<u>42,141,715</u>	<u>47,698,736</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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 the respective short-term deposit rates. At period end the average rate was 4.59%.

(b) Non-cash investing activities

Settlement (part consideration) of acquisition of minority interests in subsidiary (note 9)

	<u>5,206,117</u>	<u>-</u>
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	Consolidated	
	31 December 2008	30 June 2008
	\$	\$

11. CONTRIBUTED EQUITY

Movement in ordinary shares

Opening balance	33,167,977	33,167,977
Issue of shares (i)	4,247,467	-
Deferred share issue (i)	<u>958,650</u>	<u>-</u>
Closing balance	<u>38,374,094</u>	<u>33,167,977</u>

Ordinary shares on issue:

	No.	No.
Opening balance	40,124,498	40,124,498
Issue of shares (i)	<u>5,117,430</u>	<u>-</u>
Closing balance	<u>45,241,928</u>	<u>40,124,498</u>

Deferred share issue:

Opening balance	-	-
Shares to be issued (i)	<u>1,155,000</u>	<u>-</u>
Closing balance	<u>1,155,000</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

11. CONTRIBUTED EQUITY (continued)

- (i) As stated above in note 9, on 14 August 2008 Circadian completed its acquisition of the Ludwig Institute for Cancer Research Ltd's (LICR) and Licentia Limited's (Licentia) combined 33% interest in Vegenics. This increased Circadian's interest in Vegenics from 67% to 100%.

Consideration for the acquisition of LICR's and Licentia's combined interest in Vegenics is in two tranches:

- Tranche 1:
 - 5,117,430 Circadian shares were issued to LICR (2,589,635 shares) and Licentia (2,527,795 shares) on 14 August 2008. The value of the issued shares is \$4,247,467;
 - 50% of the shares are escrowed for a period of 12 months from date of issue. The remaining 50% are escrowed for 24 months; and
 - a cash payment of Euro 400,000 (A\$680,272) was made to Licentia.
- Tranche 2:
 - A further 1,155,000 Circadian shares will be issued to LICR (532,455 shares) and Licentia (622,545 shares) on the earlier to occur of certain product development milestones or the second anniversary of the date of Circadian's acquisition of LICR's and Licentia's interests in Vegenics (i.e. 14 August 2010). The value of the shares to be issued is \$958,650.

See note 9 for further details on the acquisition of the minority interests in Vegenics.

	Consolidated	
	31 December 2008 \$	30 June 2008 \$
12. RESERVES		
Asset revaluation reserve	734,407	734,407
Option reserve	19	19
Contributed capital of associate reserve	1,026,066	1,007,683
Net unrealised gains reserve (i)	495,422	2,849,426
Employee equity benefits reserve	1,132,196	1,020,539
Equity reserve attributable to parent (ii)	<u>(7,172,143)</u>	<u>(5,238,453)</u>
Total reserves	<u>(3,784,033)</u>	<u>373,621</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

12. RESERVES (continued)

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
<i>(i) Movement in net unrealised gains reserve:</i>		
Opening balance	2,849,426	10,430,747
- Net unrealised losses on non-current listed investments for the period	(2,949,001)	(7,120,592)
Tax effect on above net losses	556,274	2,465,766
Share of associate's net unrealised (loss)/gain (note 8(a))	(532,696)	532,696
Net unrealised losses on non-current listed investments for the period after tax	(2,925,423)	(4,122,130)
- Realised gains on non-current listed investment transferred to the income statement	(5,375)	(4,517,705)
Tax effect on above realised gains	450	1,058,514
Net realised gains transferred to the income statement	(4,925)	(3,459,191)
- Unrealised impairment losses recognised in the income statement	837,146	-
Tax effect on above unrealised impairment losses	(260,802)	-
Net unrealised impairment losses recognised in the income statement	576,344	-
Closing balance	<u>495,422</u>	<u>2,849,426</u>
<i>(ii) Movement in equity reserve attributable to parent:</i>		
Opening balance	(5,238,453)	(5,238,453)
Premium paid on acquisition of minority interests (note 9)	(1,933,690)	-
Closing balance	<u>(7,172,143)</u>	<u>(5,238,453)</u>

13. SHARE BASED PAYMENTS

During the current period, 1,085,000 options were granted to employees of Circadian and 550,000 options which were granted in September 2003 expired. As such, there is a total number of options on issue of 3,105,000 at 31 December 2008.

The options issued during the current period were divided equally into three tranches which will vest on the satisfaction of the following performance conditions within 4 years of grant date. Vested options may only be exercised at any time in the last 12 months of the relevant option period. The 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 (i.e. \$1.25);
- *Tranche 2* – the Share Price achieves not less than 150% of the Exercise Price (i.e. \$1.50); and
- *Tranche 3* – the Share Price achieves not less than 175% of the Exercise Price (i.e. \$1.75).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

13. SHARE BASED PAYMENTS (continued)

Details of the options granted during the current period are as follows:

Issue date of options	15/09/2008	15/12/2008
Number of options issued	985,000	100,000
Date of expiry of options	15/09/2012	15/12/2012
<i>Key inputs and assumptions for valuation of options:</i>		
Dividend yield	0.00%	0.00%
Expected annual volatility	45%	45%
Risk-free interest rate (p.a.)	5.43%	3.73%
Expected life of option (years)	3.5	3.5
Fair value per option	27.99¢ - 29.14¢	11.28¢ - 12.06¢
Exercise price per option	\$1.00	\$1.00
Share price at grant date	\$0.85	\$0.58
Model used	Monte Carlo	Monte Carlo

The above options were issued under the Circadian Senior Management Option Plan. All other terms and conditions of the options granted above are on the same basis as those options issued in 2007 and 2008 described in Circadian's 2008 annual report.

14. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for the office premises. An extension to the lease was signed in May 2008 providing for a further two years and allows for the tenancy to be terminated with six months notice. The following commitment assumes that the tenancy will be occupied for the full two year extension. If notice was to have been given at 31 December 2008, the commitment for six months rent would have amounted to \$50,648.

Within one year	92,694	92,694
After one year but not more than five years	45,237	96,301
	137,931	188,995

Research projects and intellectual property cost commitments

The Group has entered into research and development and intellectual property license agreements with various parties. Expenditure commitments relating to these are payable as follows:

Within one year	2,670,300	3,936,671
After one year but not more than five years	1,440,315	905,598
After more than five years	434,342	419,903
	4,544,957	5,262,172

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

14. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingencies

Vegenics Limited, a 100% owned subsidiary of Circadian, is a party to various research agreements with respect to which a commitment to pay is contingent on the achievement of research milestones. Assuming all milestones are achieved within the timeframes stipulated in the contracts, those which could become payable in less than one year total \$100,000 (30 June 2008: \$228,732) and those which could become payable in more than one year total \$100,000 (30 June 2008: \$50,000).

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

14. RELATED PARTY DISCLOSURES

During the period, patent costs totalling \$3,071 incurred by Vegenics Limited were reimbursed to Licentia Limited (the commercial arm of the University of Helsinki) for third-party patent attorney costs incurred by Licentia in respect of the patent families as detailed in the License Agreement between Vegenics, Licentia and the Ludwig Institute for Cancer Research Ltd. Dr Markku Jalkanen, a director of Vegenics from November 2007 to September 2008, was acting CEO of Licentia Ltd from August 2007 until July 2008.

15. EVENTS SUBSEQUENT TO REPORTING DATE

No significant events have arisen subsequent to 31 December 2008 which require disclosure in the half-year report.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporation Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; 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.

On behalf of the Board



Robert Klupacs
Director



Dominique Fisher
Director

Melbourne
13 February 2009



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To the members Circadian Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Circadian Technologies Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Circadian Technologies Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Circadian Technologies is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

Joanne Lonergan

Joanne Lonergan
Partner
Melbourne

Date: 13 February 2009