Alert: Circadian Trading Below Cash

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Disclaimer: We hold CIR in our portfolio and intend to keep buying if it goes lower.

- First entry - 27.6.2009: **2000 at 74c**
- Second entry - 19.2.2010: **5000 at 59c**

We bought more CIR on Friday (19.2.2010) at 59c. Our first entry (as usual abit early) is now down 20%. Average entry for 7000 shares is at 63c.

CIR's share price has consistently been trailing its cash backing for months. Late 2009, it had $39 mil cash ($0.97) with a share price of 0.74, ie a 25c discount. It now has 75c per share in cash, and trades at 16c per share below cash backing (based on current share price 59c). Annual cash burn is ~ 7-10 mil (15-22 c per annum), so the market is probably discounting its share price based one years cash burn. The company is currently conducting animal studies on VEGF D. Most investors do not have the patience or interest in animal studies, preferring instead to wait for phase 3 clinical trials before taking a punt.

Although its licensing revenue is negligible (we emailed Robert Klupac via investor relations service DearCEO [1] to clarify on this), it means that the costs of R & D is not 100% borne by CIR, thus reducing its cash burn.

We are bullish on CIR for the following reasons:

1. Buy Low Sell High - this is one of the rules of profitable investing which we adhere to.

[2]

CIR

Looking at the chart, we feel that CIR is probably at its best state since inception (cashed up in the midst of a financial crisis, and has **zero speculator-interest** that pushed its share price up in 2000 thanks to CIR's 21% interest in fat-pill company Metabolic). What we see in its share price is just pessimism and a gross lack of interest. That is usually the BEST time to buy something.

2. Trading Below Cash - Buffett tick

If one had $36.1 mil to spare, one could launch a takeover of CIR at 78c (32.2% premium to current share price, including $1 mil brokerage fees), then sell off all its assets in a garage fire sale. The company's kitty has close to $35mil in cash with no debt, so **all of CIR's intellectual properties are currently priced at zero. To put it another way, you are getting all of its assets PLUS $9 mil in cash FREE at 59c!**

1. VEGF inhibitors (VEGF B and VEGF C inhibitors).

2. CUP, Cancer of unknown primary : working with Healthscope

3. Shares in ANP and OIL

4. Commercialisation partnerships with Eli Lilly, Healthscope.

Major shareholders (who owns 31% of CIR, and will be one of the deciding factors on the outcome of any takeover bids):

Select Asset Management Ltd	3,277,612
Ludwig Institute for Cancer Research Ltd	2,589,635
Packer and Co Ltd	7,724,421
Licentia Group	2,527,795

3. Potential of VEGF assets. Note we have deliberately put this last since every biotech has potential. The market for VEGF is HUGE, with Avastin leading the way as a VEGF-A inhibitor with global annual sales of 4.6 billion (May 2009). Drug resistance is almost always the reason why most of these drugs do not actually increase patient survival, hence most are already focusing on VEGF B, C, D etc…(the list is growing).

4. CEO topping up - not a big factor since directors not uncommonly get it wrong (I still remember dad who was a director of a listed company overseas selling his shares right before a takeover!). CEO Robert Klupacs has $65k of shares (at current price of 59c) in total - he recently acquired 25000 shares at 74c, taking his holdings to 110000 shares. His 1 million options are exercisable at an average price of 1.40 (500,000 at 1.50 and 500000 at 1.30) and expires 2 years from now 8/2/2012.

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[1] investor relations service DearCEO: **http://www.dearceo.com.au**
[2] Image: **http://theinflationist.com/wp-content/uploads/picture-63.png**