



26 February 2015

## **31 December 2014 half-year financial report & operational performance**

**No. of Pages: 27**

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 2014. The previous corresponding periods are the financial year ended 30 June 2014 and the half year ended 31 December 2013.

Information in relation to the operational performance, financial performance, cash flows and financial position is included in the attached Appendix 4D Half-Year Financial Report.

This Half Year Financial Report should be read in conjunction with the Company's Annual Report for the year ended 30 June 2014.

A handwritten signature in black ink, appearing to read "MT", followed by a horizontal line extending to the right.

Mike Tonroe  
Company Secretary

## **APPENDIX 4D**

### **Half-Year Financial Report**

Name of entity: **CIRCADIAN TECHNOLOGIES LIMITED**

ABN: **32 006 340 567**

Reporting period: **HALF-YEAR ENDED 31 DECEMBER 2014**

Previous  
corresponding period: **HALF-YEAR ENDED 31 DECEMBER 2013**

#### **INDEX**

1. Results for announcement to the market
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 2014 ANNUAL REPORT**

**Note:** The financial figures provided are in 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 2014 are as follows:

<b>Revenues and Results from Ordinary Activities:</b>		<b>Change compared to</b>		<b>31/12/2014</b>
		<b>31/12/2013</b>	<b>%</b>	<b>\$</b>
Revenues from ordinary activities	Down	7.7	to	366,215
Loss from ordinary activities before tax	Loss has increased	24.7		(4,291,672)
Loss from ordinary activities after tax attributable to members	Loss has increased	90.1		(3,018,683)
<b>An explanation of the figures reported above are contained in the Directors' Report under the heading 'Financial performance'.</b>				
<b>Shareholder Distributions</b>				
No dividends have been paid or declared by the entity since the beginning of the current reporting period.				
<b>NTA backing</b>		<b>Consolidated</b>		
		<b>31/12/2014</b>		<b>30/06/2014</b>
Net tangible asset backing per ordinary security		\$0.16		\$0.22
<b>Status of review of accounts</b>				
The financial report for the half-year ended 31 December 2014 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 2014**

# Contents

Directors' report.....	6
Auditor's independence declaration .....	11
Condensed consolidated statement of profit or loss and other comprehensive income .....	12
Condensed consolidated statement of financial position .....	13
Condensed consolidated statement of changes in equity .....	14
Condensed consolidated statement of cash flows.....	15
Notes to the condensed consolidated financial statements.....	16
Directors' declaration .....	25
Independent auditor's review report.....	26

## Circadian Technologies Limited and Controlled Entities

### Directors' report

The directors of Circadian Technologies Limited submit herewith the financial report of Circadian Technologies Limited and its subsidiaries (Circadian and the Group) for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### 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.

#### Name

Dominique Fisher	Non-Executive Director and Chairman
Tina McMeckan	Non-Executive Director
Russell Howard	Non-Executive Director
Megan Baldwin	Chief Executive Officer and Managing Director

### Review of operations

#### Financial performance

For the half year ended 31 December 2014, the Company's net loss attributable to members is \$3,018,683 (31 December 2013: \$1,587,808). The increased loss is mainly due to the increase in research and development spending by the Group as it progresses development of OPT-302 through pre-clinical testing to support IND filing to the US FDA to allow initiation of clinical trials in the US.

Set out below are a number of other factors affecting financial performance:

- Revenue was \$366,215 (31 December 2013: \$396,901). The lower revenue is largely attributable to reduced cash balances and lower prevailing interest rates impacting interest income.
- Other income includes grant income \$18,515 (31 December 2013: \$5,000)
- The total investment in R&D was \$3,891,303 (31 December 2013: \$2,577,973). Direct R&D spending (excluding personnel and R&D support costs) was \$3,211,561 (31 December 2013: \$1,725,111). Further R&D project commentary is included under the operational update heading.
- Patent and intellectual property costs of \$142,936 (31 December 2013: \$340,712).
- The net income tax benefit for the half year is \$1,272,989 and includes an income tax benefit of \$1,751,087 based on the research and development spend for this half year. In the previous corresponding period the R&D income tax benefit recognised in relation to the 2014 financial year was \$1,160,088.

Basic earnings per share were a loss of 4.58 cents (31 December 2013: loss of 3.24 cents).

## Financial position

The cash position as at 31 December 2014 was \$18,988,424 (30 June 2014: \$7,162,020). Other points to note on the Company's financial position are:

- The 2014 Research and Development (R&D) tax incentive claim of \$2,170,911, included in current tax assets at 31 December 2014, was received from the Australian Tax Office during January 2015. A benefit of \$1,751,087 (31 December 2013: \$1,160,088) has been recognised in relation to the R&D tax incentive spend in the current period and included in current tax assets.
- The value of the investment portfolio (Available for sale financial assets) decreased by a net \$509,448 to \$1,765,973 during the half year. This was mainly due to fair value decreases to the value of Antisense Therapeutics Limited (ASX:ANP) in which the Group has a 8.89% holding.
- As at 31 December 2014, the estimated tax losses available to the Group are \$12,558,385. As the ability to realise this benefit and other timing differences is not beyond reasonable doubt, a deferred tax asset has only been recognised to the extent an offsetting deferred tax liability has been recognised. No other tax losses have been recognised.
- During the half year the company issued 99,453,313 new shares through a placement to professional and institutional investors and a rights issue. Proceeds from the issue were \$17,405,458. The company also issued options to purchase 49,726,672 shares with an exercise price of \$0.27 expiring on 25 November 2018.
- As at 31 December 2014, the Net Tangible Asset backing per share was 16 cents; down 27% from 22 cents as at 30 June 2014. The company's share price commenced the half year at \$0.19 and ended the half year at \$0.16 with \$0.21 being the highest share price recorded during the half year. As at 31 December 2014, the company had 2,394 shareholders with the top 20 accounting for 79% of issued shares.

## Opthea Pty Ltd

### OPT-302: A potent inhibitor of VEGF-C and VEGF-D for the treatment of wet AMD

Since our announcement in February 2014 to focus Circadian's cash and resources on the opportunity represented in the OPT-302 program for the treatment of eye diseases, Circadian has continued to execute on this strategy and advance the development program through its 100% owned subsidiary Opthea Pty Ltd.

OPT-302 is Circadian's lead molecule, a soluble form of VEGFR-3 that acts as a VEGF-C/VEGF-D 'trap'. Blockade of VEGF-C and VEGF-D by OPT-302 inhibits blood and lymphatic vessel development, as well as vessel leakage, which are characteristic hallmarks of several eye diseases, including neovascular ('wet') age-related macular degeneration.

Wet AMD is a disease characterised by loss of vision in the middle of the visual field caused by degeneration of the central portion of the retina (the macula). Abnormal growth of blood vessels below the retina, and the leakage of fluid and protein from the vessels, cause retinal degeneration and lead to severe and rapid loss of vision if left untreated. Approved therapies for the disease include Eylea® and Lucentis® which block the activity of VEGF-A, a signal that causes blood vessels to grow and leak. The approved therapies target VEGF-A but not VEGF-C or VEGF-D which are alternate members of the same family of molecules. VEGF-C and VEGF-D can stimulate blood vessel growth and leakage through the same pathway as VEGF-A, as well as through pathways that are independent of VEGF-A.

Our strategy is to address the unmet medical need that remains for wet AMD patients. Approximately half of the people receiving the existing therapies exhibit a sub-response and do not experience a

significant gain in vision and/or have persistent fluid at the back of the eye. As the leading cause of blindness in the developed world, and one which is increasing in prevalence as the population ages, wet AMD represents a multi-billion dollar market opportunity.

OPT-302 has the potential to be used as a single-agent (monotherapy), or in combination with existing approved inhibitors of VEGF-A (Lucentis®/Eylea®) in order to achieve a more complete blockade of the VEGF pathway.

#### Operational Update

Circadian completed a transformational capital raising of A\$17.4 million in November 2014 by way of a placement of A\$14 million to institutional and sophisticated investors in the US, Europe and Australia and a rights issue of A\$3.4 million. The new funds strengthen the company's balance sheet and are expected to fund the company to the end of 2017 and the completion of Phase I and Phase 2 clinical trials for OPT-302 in wet AMD patients. With a clear objective of initiating clinical studies as expeditiously as possible, we are currently focussing on development activities to support an IND filing with the US FDA to allow initiation of clinical studies at US sites. Our aim is to file this IND and initiate a Phase I clinical study in the second quarter of 2015.

We were pleased to announce the formation of our Clinical Advisory Board (CAB) in December 2014. The members of this group are internationally recognised key opinion leaders who provide key scientific, clinical and regulatory strategic guidance for the OPT-302 program. The quality of the members of the CAB is testimony to the potential of OPT-302 to address the unmet medical need for patients with wet AMD. We are currently selecting Phase 1 clinical trial sites which will be located in the US.

In addition, we continue to advance our manufacturing program with Patheon Biologics. OPT-302 has been produced and filled into single-use vials and is undergoing quality testing as required for release for clinical use. A proportion of the costs associated with the manufacturing program conducted over the previous 6 months was offset by non-dilutive grant funding from Biopharmaceuticals Australia Pty Ltd.

Opthea is currently completing a series of non-clinical studies to assess the safety and tolerability of OPT-302 administered via systemic and ocular administration to animals. Data from these studies will be incorporated into the IND.

We also continue to build our preclinical data package for OPT-302 through an ongoing research program with our collaborators at Schepens Eye Research Institute (Harvard Medical School, Massachusetts Eye & Ear Infirmary, Boston), and will present our data at several international ophthalmology conferences in 2015. A manuscript describing the activity of OPT-302 in preclinical models has been drafted in preparation for submission to a peer-reviewed ophthalmology journal. These studies have demonstrated that in a preclinical mouse model of wet AMD, OPT-302 has single-agent activity that is comparable to the preclinical activity of the VEGF-A inhibitor Eylea®, as well as further additive benefit in reducing lesion size and leakage when both agents are administered in combination and a more complete blockade of the VEGF pathway is achieved.

In January 2015 we announced the grant of a US Patent protecting compositions containing soluble VEGFR-3 fusion proteins, such as OPT-302. The US Patent Office also awarded 1980 days of patent term adjustment, extending the patent expiry date to mid 2026. The equivalent patents have already been granted in Europe, Japan, Canada and Australia. Circadian continues to pursue a further patent family directed to the OPT-302 molecule which has the potential to extend the patent protection for this molecule out to 2034.



## **Non-Core Assets**

### **Ceres Pty Ltd**

We continue to seek commercial opportunities related to out-licensing, partnering and/or sale of VGX-100, a monoclonal antibody for VEGF-C that has been tested in a Phase 1A/1B clinical study in advanced cancer patients as a single agent and in combination with the VEGF-A inhibitor Avastin®. Results from the Phase 1A/1B clinical trial with VGX-100 are encouraging, with early evidence of anti-tumour activity in patients who failed to respond to standard treatment. With the completion of this trial, Circadian is well positioned to strategically pursue commercial opportunities for VGX-100.

### **IMC-3C5**

Circadian has licensed rights to some parts of its intellectual property portfolio for the development of other products to ImClone Systems, a wholly-owned subsidiary of Eli Lilly and Company, including IMC-3C5 which is an antibody that blocks VEGFR-3. IMC-3C5 is being tested in a Phase 1 clinical trial in cancer patients in the US. Eli Lilly currently estimate the trial to be completed by July 2015. ImClone/Eli Lilly have exclusive rights from Circadian to develop the VEGFR-3 antibody in return for annual license fees and royalties on potential future product sales.

## **OUTLOOK**

Circadian will continue to focus the Company's capital and resources on the significant opportunity represented in the OPT-302 program. This has been made possible by the successful capital raising in November 2014.

The key objectives of the Company over the next 12 months are to:

- Advance OPT-302 through requisite IND enabling studies to allow the initiation of a Phase 1 clinical trial in wet AMD patients by mid 2015;
- Initiate and complete patient enrolment in the planned Phase I clinical trial of OPT-302 in wet AMD patients and report primary data from the clinical trial early in 2016;
- Raise Circadian and Opthea's profile through awareness of the unmet medical need for wet AMD and rationale for OPT-302 use in this setting; and to
- Continue to seek commercial opportunities related to out-licensing, partnering and/or sale of the VGX-100 asset for oncology.

### ***Inherent Risks of Investment in Biotechnology Companies***

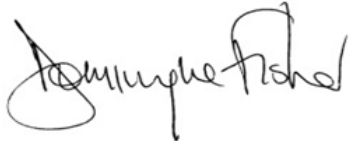
Some of the risks inherent in the development of a product to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of the necessary drug regulatory 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 receive regulatory approvals or prove to be commercially successful in the future. Actual results of further research and development 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 Deloitte Touche Tohmatsu, the Group's auditor, which is attached to this report.

For and on behalf of the Board:



Dominique Fisher  
Chairman of the Board

Melbourne  
26 February 2015

26 February 2015

The Board of Directors  
Circadian Technologies Limited  
Suite 403, Level 4  
650 Chapel Street  
SOUTH YARRA VIC 3141

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 review of the financial statements of Circadian Technologies Limited for the half-year ended 31 December 2014, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G J McLean  
Partner  
Chartered Accountants

## Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2014

	Note	Consolidated	
		31 December 2014 \$	31 December 2013 \$
<b>Revenue</b>			
Finance revenue		127,889	149,625
Other revenue		238,326	247,276
<b>Total Revenue</b>	4	<b>366,215</b>	<b>396,901</b>
Other income	5	18,515	82,144
Research and development expenses	6	(3,211,561)	(1,725,111)
Patent expenses		(142,936)	(172,317)
Intellectual property costs		-	(168,395)
Administrative expenses		(1,420,832)	(1,793,255)
Occupancy expenses		(51,615)	(64,088)
Impairment of available for sale investments	7	-	(7,172)
Loss on disposal of plant and equipment		-	(12,564)
Net foreign exchange gains		150,542	22,935
<b>Loss before income tax</b>		<b>(4,291,672)</b>	<b>(3,440,922)</b>
Income tax benefit	8	1,272,989	1,853,114
<b>Loss for period</b>		<b>(3,018,683)</b>	<b>(1,587,808)</b>
<b>Other comprehensive income</b>			
<b>Items that maybe subsequently reclassified to profit or loss:</b>			
Net unrealised gains/(losses) on non-current listed investments for the period		(456,385)	586,259
NCI share of movement in investments revaluation reserve		(53,061)	81,424
Income tax on items of other comprehensive income		152,833	(185,103)
Other comprehensive income for the period, net of tax		(356,613)	482,580
<b>Total comprehensive loss for the period</b>		<b>(3,375,296)</b>	<b>(1,105,228)</b>
Profit/(loss) for the period is attributable to:			
Non-controlling interest		(78,223)	(10,277)
Owners of the parent		(2,940,460)	(1,577,531)
		<b>(3,018,683)</b>	<b>(1,587,808)</b>
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest		(131,284)	71,147
Owners of the parent		(3,244,012)	(1,176,375)
		<b>(3,375,296)</b>	<b>(1,105,228)</b>
Earnings per share for loss attributable for the ordinary equity holders of the parent			
Basic and diluted loss per share (cents)	9	(4.58)	(3.24)

Notes to the financial statements are included on pages 16 to 24

**Condensed consolidated statement of financial position  
as at 31 December 2014**

	Note	Consolidated	
		31 December 2014 \$	30 June 2014 \$
<b>Current Assets</b>			
Cash and cash equivalents	10	18,988,424	7,162,020
Current tax assets		3,921,998	2,292,038
Receivables		796,264	413,820
Prepayments		86,931	113,121
<b>Total Current Assets</b>		<b>23,793,617</b>	<b>9,980,999</b>
<b>Non-current Assets</b>			
Available for sale financial assets	11	1,765,973	2,275,421
Deferred tax assets		35,479	56,135
Plant and equipment		129,381	148,778
<b>Total Non-current Assets</b>		<b>1,930,833</b>	<b>2,480,334</b>
<b>Total Assets</b>		<b>25,724,450</b>	<b>12,461,333</b>
<b>Current Liabilities</b>			
Payables		1,776,304	1,604,668
Provisions		168,576	160,330
<b>Total Current Liabilities</b>		<b>1,944,880</b>	<b>1,764,998</b>
<b>Non-current Liabilities</b>			
Deferred tax liability		35,479	56,135
Provisions		98,931	86,165
Other liabilities		68,366	74,779
<b>Total Non-current Liabilities</b>		<b>202,776</b>	<b>217,079</b>
<b>Total Liabilities</b>		<b>2,147,656</b>	<b>1,982,077</b>
<b>Net Assets</b>		<b>23,576,794</b>	<b>10,479,256</b>
<b>Equity</b>			
Contributed equity	12	53,840,119	39,453,733
Accumulated losses		(26,180,181)	(23,239,721)
Reserves	13	(4,895,447)	(6,678,843)
<b>Equity attributable to owners of the Company</b>		<b>22,764,491</b>	<b>9,535,169</b>
<b>Non-controlling interests</b>	14	<b>812,303</b>	<b>944,087</b>
<b>Total Equity</b>		<b>23,576,794</b>	<b>10,479,256</b>

**Condensed consolidated statement of changes in equity  
for the half-year ended 31 December 2014**

<b>Consolidated</b>	<b>Contributed equity</b>	<b>Options reserve</b>	<b>Employee equity benefits reserve</b>	<b>Equity reserve parent</b>	<b>Net unrealised gains reserve</b>	<b>Accumulated losses</b>	<b>Attributable to owners of the parent</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As at 1 July 2014</b>	<b>39,453,733</b>	-	<b>146,246</b>	<b>(7,172,143)</b>	<b>347,054</b>	<b>(23,239,721)</b>	<b>9,535,169</b>	<b>944,087</b>	<b>10,479,256</b>
Other comprehensive income*	-	-	-	-	(303,552)	-	(303,552)	(53,061)	(356,613)
Loss for the period*	-	-	-	-	-	(2,940,460)	(2,940,460)	(78,223)	(3,018,683)
Total comprehensive income and expense for the period	-	-	-	-	(303,552)	(2,940,460)	(3,244,012)	(131,284)	(3,375,296)
Cost of share based payment	-	-	97,881	-	-	-	97,881	-	97,881
Issue of ordinary shares and share options	14,386,386	1,989,067	-	-	-	-	16,375,453	(500)	16,374,953
<b>Balance as at 31 December 2014</b>	<b>53,840,119</b>	<b>1,989,067</b>	<b>244,127</b>	<b>(7,172,143)</b>	<b>43,502</b>	<b>(26,180,181)</b>	<b>22,764,491</b>	<b>812,303</b>	<b>23,576,794</b>
<b>As at 1 July 2013</b>	<b>39,453,733</b>	-	<b>187,497</b>	<b>(7,172,143)</b>	<b>226,105</b>	<b>(19,243,579)</b>	<b>13,451,613</b>	<b>907,333</b>	<b>14,358,946</b>
Other comprehensive income*	-	-	-	-	401,156	-	401,156	81,424	482,580
Loss for the period*	-	-	-	-	-	(1,577,531)	(1,577,531)	(10,277)	(1,587,808)
Total comprehensive income and expense for the period	-	-	-	-	401,156	(1,577,531)	(1,176,375)	71,147	(1,105,228)
Cost of share based payment	-	-	9,332	-	-	-	9,332	-	9,332
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2013</b>	<b>39,453,733</b>	-	<b>196,829</b>	<b>(7,172,143)</b>	<b>627,261</b>	<b>(20,821,110)</b>	<b>12,284,570</b>	<b>978,480</b>	<b>13,263,050</b>

\*Amounts are after tax

Notes to the financial statements are included on pages 16 to 24

**Condensed consolidated statement of cash flows  
for the half-year ended 31 December 2014**

		<b>Consolidated</b>	
		<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Note</b>		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Interest received	66,935	174,964
	Royalty and licence income received	13,401	214,961
	Grant income	-	5,000
	Income tax refunded	121,128	-
	Payments to suppliers, employees and for research and development and intellectual property costs (inc GST)	(4,259,224)	(3,518,604)
	<b>Net cash flows used in operating activities</b>	<b>(4,057,760)</b>	<b>(3,123,679)</b>
<b>Cash flows from investing activities</b>			
	Proceeds from sale of investments	-	184,156
	Acquisition of financial investments	-	(40,504)
	Purchase of plant and equipment	-	(109,489)
	<b>Net cash flows provided by / (used in) investing activities</b>	<b>-</b>	<b>34,163</b>
<b>Cash flows from financing activities</b>			
	Proceeds from issues of equity instruments of the Company:		
	Ordinary shares issued by rights issue	3,405,458	-
	Ordinary shares issued through a new placement	14,000,000	-
	Payment of share issue costs	(1,355,270)	-
	<b>Net cash flows provided by financing activities</b>	<b>16,050,188</b>	<b>-</b>
	Net increase/(decrease) in cash and cash equivalents	11,992,428	(3,089,516)
	Net foreign exchange differences	(166,024)	7,266
	Cash and cash equivalents at beginning of the period	7,162,020	11,003,941
	<b>Cash and cash equivalents at end of the period</b>	<b>18,988,424</b>	<b>7,921,691</b>
10			

## **Notes to the condensed consolidated financial statements For the half-year ended 31 December 2014**

### **1. Corporate information**

The consolidated financial report of Circadian Technologies Limited for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 26 February 2015.

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

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 condensed consolidated financial report 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.

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 2014 and considered together with any public announcements made by Circadian Technologies Limited and its controlled entities during the half-year ended 31 December 2014 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 which have been adopted in the most recent annual financial report, except for the impact of the New Standards and Interpretations as set out in note 2(c) below. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.



**(c) New accounting standards and interpretations**

The following table shows the new and revised Standards and Interpretations adopted in the current reporting period. There is no material impact on the amounts reported and disclosures in these financial statements that result from their adoption.

- AASB 1031 'Materiality' (2013)
  
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities
  
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
  
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
  
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
  
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
  
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
  - Part C: 'Materiality'
  
- Interpretation 21 'Levies'

### 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.

There is no seasonality or cyclicity in the operations of the business.

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 eye diseases.

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

The chief operating decision maker regularly reviews entity wide information. The information reviewed is the same as the information presented in the statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows.

	<b>Consolidated</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<b>4. Revenue</b>		
<b>(a) Finance revenue</b>		
Interest from		
- Bank	127,889	149,625
<b>(b) Other revenue</b>		
Royalty and licence fees	238,326	247,276
<b>Total Revenue</b>	<b>366,215</b>	<b>396,901</b>
<b>5. Other income</b>		
Grant income	18,515	5,000
Net gain on sale of equity investments	-	77,144
	<b>18,515</b>	<b>82,144</b>
<b>6. Research and Development Expenses</b>		
Research project costs (i)	3,211,561	1,725,111
	<b>3,211,561</b>	<b>1,725,111</b>

(i) The research project costs mainly relate to the development of Vascular Endothelial Growth Factors (VEGF) based therapeutics.

	<b>Consolidated</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<b>7. Expenses</b>		
<b>Impairment losses</b>		
Listed financial investments	-	7,172
	-	<b>7,172</b>

## 8. Income Tax

### (a) Income tax expense

The major components of income tax expense are:

#### ***Statement of profit or loss and other comprehensive income***

##### *Current income tax*

Adjustment to prior year – research & development claim	-	(507,923)
Research & development claim – current period	(1,751,087)	(1,160,088)

##### *Deferred income tax*

Relating to recognition and reversal of temporary differences	478,098	(185,103)
Income tax (benefit)/expense reported in the statement of profit or loss and other comprehensive income	(1,272,989)	(1,853,114)

There are two tax entities within the Group: Circadian Technologies Limited and Syngene Limited which is a controlled entity. A benefit of \$1,751,087 (31 December 2103: \$1,160,088) has been recognised in relation to the research and development (R&D) tax incentive spend in the current reporting period. The deferred income tax expense relates to the recognition of further temporary differences during the period.

### (b) Amounts charged or credited directly to equity

A deferred tax benefit for the half year of \$152,833 was credited directly to equity as a result of the net unrealised losses on the Group's listed investments. Refer to note 13.

In the prior period, a deferred tax expense of \$185,103 was charged directly to equity as a result of the unrealised gain on the Group's listed investments.

### (c) Carry forward unrecognised tax losses

The Group had estimated income tax losses available of \$12,558,385 and realised capital losses of \$877,704 available at the end of the half year; tax effected at 30% (2013 half-year: income tax losses of \$12,169,271 and realised capital losses of \$877,704). No deferred tax asset is recognised in relation to tax losses within the Circadian Consolidated Tax Group as they are not currently considered probable of realisation. The Group tax losses are available indefinitely for offset against future assessable income subject to the Group continuing to meet relevant statutory tests. Syngene has recognised tax losses to the extent that they can be matched against deferred tax liabilities.

## 9. Earnings per share

Diluted earnings per share is calculated as net profit/(loss) divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. Although the issued share options 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.

<b>Consolidated</b>	
<b>31 December 2014</b>	<b>30 June 2014</b>
<b>\$</b>	<b>\$</b>

## 10. Cash and cash equivalents

For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	1,738,424	2,412,020
Short term deposits	17,250,000	4,750,000
	<b>18,988,424</b>	<b>7,162,020</b>

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 a fixed rate for the respective short-term deposit periods. At period end, the average rate was 3.47% (2013 half-year: 3.61%).

## 11. Non-current assets – Available for sale financial assets

	<b>Ownership interest</b>		<b>Fair value <sup>(i)</sup></b>		<b>Cost of investment</b>	
	<b>31 Dec 2014</b>	<b>30 June 2014</b>	<b>31 Dec 2014</b>	<b>30 June 2014</b>	<b>31 Dec 2014</b>	<b>30 June 2014</b>
<b>Listed investments</b>	<b>%</b>	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-current investments</b>						
Antisense Therapeutics Ltd	8.89	9.97	1,292,542	2,010,622	3,548,269	3,548,269
Optiscan Imaging Ltd	4.18	4.95	455,683	248,555	786,131	786,131
Other listed investments less than 1% interest			17,748	16,244	20,888	20,888
			<b>1,765,973</b>	<b>2,275,421</b>	<b>4,355,288</b>	<b>4,355,288</b>

<sup>(i)</sup> The fair value represents the share (bid) price at year end, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments. The capital gains tax that may be applicable on the disposal of these investments is included in the deferred tax liability account.

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.

All available-for-sale investments listed above are level 1 financial assets in the fair value hierarchy. The valuation technique used to determine fair value is the reference to quoted bid prices in an open market.

<b>12. Contributed equity</b>	<b>Number of shares</b>	<b>Share capital \$</b>
<b>Ordinary shares fully paid:</b>		
Balance at 1 July 2014	48,633,015	39,453,733
Issue of shares	99,453,313	17,405,458
Share issue costs	-	(1,355,270)
Income tax benefit relating to share issue costs	-	325,265
Amount taken to options reserve	-	(1,989,067)
<b>Balance at 31 December 2014</b>	<b>148,086,328</b>	<b>53,840,119</b>

Issued capital at 31 December 2014 amounted to \$53,840,119 (148,086,328 fully paid ordinary shares) net of share issue costs, tax and amounts taken to the options reserve. During the half-year, the company issued 99,453,313 ordinary fully paid shares for \$17,405,458. The company also issued options to purchase 49,726,672 ordinary shares with an exercise price of \$0.27 expiring on 25 November 2018. The fair value of the options at their issue date of \$1,989,067 has been recognised in the options reserve (note 13).

The company issued 2,100,000 share options over ordinary shares under its Long Term Incentive and Non-executive director share and option plans during the half-year. These share options had a fair value at grant date of \$0.17 per share option.

	<b>Consolidated</b>	
	<b>31 December 2014 \$</b>	<b>30 June 2014 \$</b>
<b>13. Reserves</b>		
Options reserve	1,989,067	-
Net unrealised gains reserve <sup>(i)</sup>	43,502	347,054
Employee equity benefits reserve	244,127	146,246
Equity reserve attributable to parent	(7,172,143)	(7,172,143)
<b>Total reserves</b>	<b>(4,895,447)</b>	<b>(6,678,843)</b>

<sup>(i)</sup> Movements in net unrealised gains reserve

Opening balance	347,054	226,105
- Net gains/(losses) on listed investments for the period	(509,446)	215,970
- Tax effect on above net gains/losses	152,833	(64,791)
- NCI share of revaluation of listed investments net of tax	53,061	(30,230)
Net gains/(losses) on non-current listed investments for the period after tax	(303,552)	120,949
<b>Closing balance</b>	<b>43,502</b>	<b>347,054</b>

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>14. Non-controlling interest</b>		
Opening balance	(944,087)	(907,333)
Share of (profit)/loss for the period	78,223	(6,524)
Share of other comprehensive (income)/loss for the period	53,061	(30,230)
Additional non-controlling interest arising due to share buy back	500	-
<b>Closing balance</b>	<b>(812,303)</b>	<b>(944,087)</b>

## 15. Commitments and contingencies

### (a) Commitments

#### (i) Operating lease commitments - Group as lessee

The Group has a commercial lease for office premises expiring in July 2019.

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Within one year	170,757	90,939
After one year but not more than five years	344,971	390,800
After more than 5 years	-	-
	515,728	481,739

#### (ii) Research projects and license 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:

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Within one year	1,394,449	3,216,270
After one year but not more than five years	476,455	320,272
After more than five years	263,545	227,778
	2,134,449	3,764,320

### (b) Contingencies

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 timeframes stipulated in the contracts, those which could become payable in less than one year total \$Nil (30 June 2014: \$Nil) and those which could become payable in more than one year total \$14,546,076 (30 June 2014: \$2,309,722).

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.

## 16. Share-based payments

### (a) Non-executive director and employee share option plans

During the half year, the Group introduced an ownership-based compensation scheme for non-executive directors, executives and senior employees. In accordance with the terms of the plans, as approved by shareholders at the 2014 annual general meeting, eligible non-executive directors, executives and senior employees with the Group may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of Circadian Technologies Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is subject to approval by the board and rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria as determined by the board on a case by case basis.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options/Rights series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
Conditional rights scheme – March '11	22 March 2011	\$0.25	\$0.00	31 March 2015	4 September 2012
Conditional rights scheme – May '12	16 May 2012	\$0.11	\$0.00	31 March 2015	4 September 2012
Long term incentive plan (LTIP)	18 November 2014	\$0.17	\$0.00	25 May 2018	25 May 2015
Non-executive director share and option plan (NED Plan)	18 November 2014	\$0.17	\$0.00	25 May 2018	25 May 2015

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

### (b) Fair value of share options granted in the period

The weighted average fair value of the share options granted during the half year is \$0.17 (2013: none were issued). Options were priced using a Monte Carlo option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years.

Inputs into the model	Option series	
	LTIP	NED Plan
Grant date share price	\$0.17	\$0.17
Exercise price	\$0.00	\$0.00
Expected volatility	125%	125%
Option life	18 months	18 months
Dividend yield	0%	0%
Risk-free interest rate	2.47%	2.47%

**(c) Movements in share options during the period**

The following reconciles the share options outstanding at the beginning and end of the year:

	31 December 2014		30 June 2014	
	Number of options and rights	Weighted average exercise price	Number of options and rights	Weighted average exercise price
		\$		\$
Balance at beginning of year	805,000	-	1,510,000	-
Granted during the period	2,100,000	-	-	-
Forfeited during the period/year	<u>(15,000)</u>	-	<u>(705,000)</u>	-
Balance at end of period/year	<u>2,890,000</u>	-	<u>805,000</u>	-
Exercisable at end of period/year	<u>-</u>	-	<u>-</u>	-

In January 2015, the company issued 1,000,000 options to purchase ordinary shares to Bell Potter Securities in consideration for services to be provided under a Corporate Advisory Agreement. The options are exercisable from 13 January 2016 at an exercise price of \$0.2625 and expire on 13 January 2018. The issue of the options was approved by members at the 2014 annual general meeting.

**17. Events subsequent to reporting date**

In January 2015, \$2,176,551 was received from the Australian Tax Office in relation to the 2014 R&D tax incentive claim. This amount was included in receivables at 31 December 2014.

No other 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.

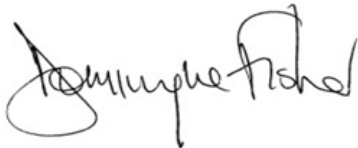


## Directors' declaration

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

- 1) In the opinion of the directors:
  - a) The financial report and the notes thereto are in accordance with the *Corporations Act 2001*, including:
    - (i) Giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
    - (ii) Complying with Australian Accounting Standards and Corporations Regulations 2001 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 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2014.

On behalf of the Board:



Dominique Fisher  
Chairman of the Board

Melbourne  
26 February 2015

## **Independent Auditor's Review Report to the members of Circadian Technologies Limited**

We have reviewed the accompanying half-year financial report of Circadian Technologies Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 25.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *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 a Financial Report 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 half-year 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 2014 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, 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.

## *Auditor's Independence Declaration*

In conducting our review, 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 review 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 Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



G J McLean  
Partner  
Chartered Accountants  
Melbourne, 26 February 2015