13 February 2007

HALF-YEAR REPORT (REVIEWED)
PERIOD ENDED 31 DECEMBER 2006

No. of Pages: 36

In accordance with Listing Rule 4.2A, we enclose the Half-Year Report (reviewed) on the consolidated results of Circadian Technologies Limited ('Circadian' or 'Group') for the half-year ended 31 December 2006.

Key Financials

- The consolidated profit of the Group for the half-year was $9,070,559 after an income tax expense of $5,641,787 (2005: loss of $899,936 after an income tax benefit of $343,915).
- The net tangible asset backing per share as at 31 December 2006 was $1.86 (2005: $1.60).
- Cash reserves as at 31 December 2006 amounted to $42,343,923.
- Subsequent to 31 December 2006, the combined market value of Circadian's shareholdings in listed investments increased by $11,825,579 to $56,942,061 (this includes the net sales proceeds received of $5,215,704 on the disposal of 9.78 million Avexa shares post period end). The increase in market value of these investments since period end is not reflected in the 31 December 2006 financial statements.

The results for the half-year ended 31 December 2006 reflect the following key items (all amounts are pre-tax):

- a gain on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited of $8,285,760 (Circadian's remaining holding is 36,012,701 ordinary shares);
- the acquisition by CSL Limited of Zenyth Therapeutics Limited by a scheme of arrangement. The company recognised a gain of $7,548,983 on the disposal of its holding in Zenyth and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total gain of $12,623,847;
- the consolidation of the results of Vegenics Limited which includes - the intellectual property (IP) costs incurred with respect to the license agreement with CoGenesys Inc of $2,631,925 being fully expensed although the rights provided under that agreement are available to Vegenics until the relevant patents expire. It also reflects the expensing of the IP costs relating to VEGF under the agreement between Vegenics, the Ludwig Institute for Cancer Research and Licentia Limited amounting to $4 million. The granted patents for the various IP estates which Vegenics has access to expire at various dates between 2015 and 2022. Patent costs incurred by Vegenics for the period amounted to $822,002. Further information with respect to Vegenics is provided under Review of Operations in the Half-Year Report;
- research and development expenditure of $1,312,012 being an increase of $967,566 as compared to the half-year ended 31 December 2005 (this includes research and development costs incurred by Vegenics of $281,566); and
- an expense amount of $449,577 being Circadian's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2006 as required under equity accounting.

<u>Key Highlights</u>
(To be read in conjunction with the Directors' Report contained in the Half-Year Report attached):

Vegenics Limited – global cancer project

In May 2006, Circadian announced a major cancer development collaboration with the New York based Ludwig Institute for Cancer Research (LICR) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia) with the formation of a new company, Vegenics Limited (Vegenics), to develop and commercialise the intellectual property and technology of LICR and Licentia in respect of molecules known as vascular endothelial growth factors (VEGF).

LICR and Licentia have developed an extensive VEGF patent portfolio, comprising more than 150 granted patents in USA, Europe, Japan and Australia and over 400 pending patent applications worldwide.

In August 2006, Vegenics announced that it had signed an agreement with CoGenesys Inc (based in Rockville, Maryland USA). The agreement provides Vegenics with further rights to intellectual property in the field of the vascular endothelial growth factor, VEGF-C. Under the agreement, Vegenics also obtained an option to develop an existing VEGF-C antibody developed by CoGenesys.

Vegenics will initially focus on developing peptide and antibody antagonists to two forms of VEGF (VEGF-C and VEGF-D) as anti-tumour agents.

Circadian has to the date of this report invested a total of $13.5 million into Vegenics, which is 65.2% owned by Circadian (this includes the 40 million Vegenics shares issued to Circadian for a total subscription price of $8 million subsequent to period end) and 34.8% owned by LICR and Licentia. It is currently the intention of Vegenics to raise a minimum of $8 million additional new equity within 12 months, by way of an ASX listing and/or private equity raising at a post-money market capitalisation in excess of $50 million to comply with the License and Shareholders Agreements.

R&D Projects

- *Cancer Vaccines Project (Circadian: 50%; Monash University: 50%)* - This project is based on a technology for the development of novel immunising agents with potential application in the development of vaccines against cancer. The use of vaccines as a potential therapy for cancer is attracting significant attention in the research community, as they may potentially offer a more effective approach to treatment with fewer side effects than current cytotoxic drugs.

  Work is continuing on evaluating candidate peptides in laboratory tumour models. In July 2006, the Australian Research Council announced the award of a $671,000 Linkage Grant to Monash University to support the project. This additional funding will be used to accelerate the project and to increase its scope.

- *Dicarba Analogues Project (Circadian: 50%; Monash University: 50%)* - This project is based on a novel technology for the development of stable peptides, with potential application across a broad range of therapeutic agents. Peptides are small protein molecules, including commonly known substances such as insulin, growth hormone and the conotoxins. The use of native peptides as therapeutic agents is limited by issues related to the stability of the peptide after administration.

  Experimental work is in progress to demonstrate the utility of the technology in different classes of potential therapeutic peptide molecules, focusing on showing efficacy and stability in laboratory models.

- *Memory Enhancement Project (Circadian's interest: 60%)* - This project relates to the development of a method of treating memory disorders using compounds which block the GABA-C receptor, which the researchers at the University of Sydney found may be important in memory processes. In June 2006, Circadian agreed to provide additional funding of $254,773 to enable the production of additional quantities of the compounds, and for the evaluation of these in laboratory models.

Circadian's Listings

- *Metabolic Pharmaceuticals Limited (Circadian interest: 12%)* - On 18 December 2006, Metabolic announced that "the last subject has now completed the Phase 2B OPTIONS Study for obesity drug, AOD9604. The main purpose of the OPTIONS Study is to confirm the weight loss seen in the previous Phase 2B trial and if they are confirmed, to determine the dose(s) of AOD9604 to be carried forward into Phase 3 trials. The OPTIONS Study has a primary endpoint of weight loss following 12 weeks of treatment… The total number of subjects who will be evaluated at the 12 week primary endpoint is 407, which comfortably exceeds our statistical design goal. ... Metabolic expects to report the results in March 2007..."

  On 27 September 2006, Metabolic announced "that ethics approval has been obtained for the first of two Phase 2A human clinical trials on ACV1, for the treatment for neuropathic pain. Recruitment of 40 patients into this trial has now commenced … Metabolic expects to have the results of this trial available during the first six months of 2007 (H107)."
  (ASX: MBP; website: www.metabolic.com.au)

  To date Circadian has sold a total of 18 million Metabolic shares (being the 12 million shares sold in November 2006 and 6 million shares sold in October 2003) for total net proceeds of $14.5 million which had an acquisition value of nil and related cumulative research and development costs expensed by Circadian of $400K.

- *Antisense Therapeutics Limited (Circadian's direct and indirect interest: 24%)* - On 21 June 2006, Antisense Therapeutics announced "that dosing has commenced in the Phase IIa clinical trial of ATL1102 in patients with relapsing remitting multiple sclerosis (MS). The study, a multi-centre, randomized, double-blinded, placebo-controlled clinical trial in approximately 80 patients with relapsing-remitting MS, is being conducted at 9 clinical trial sites across Germany. The trial will assess the activity and safety of the drug in MS patients."

  On 4 October 2006, Antisense Therapeutics announced that it was "in the process of establishing additional clinical trial sites in Europe for its Phase IIa trial of ATL1102 in patients with relapsing remitting multiple sclerosis (MS) to address the slower than expected rate of patient recruitment."
  (ASX: ANP; website: www.antisense.com.au)

- *Optiscan Imaging Limited (Circadian interest: 6%)* - On 11 July 2006, Optiscan announced that "the prestigious Johns Hopkins Hospital, USA, and Mainz University Hospital, Germany, have announced a trans Atlantic collaboration on the use of endomicroscopy to improve early stage cancer diagnosis. …The key goal of the partnership is early stage cancer diagnosis"
  (ASX: OIL; website: www.optiscan.com)

Other

- *Zenyth Therapeutics Limited (formerly Amrad Corporation Limited)* - On 17 July 2006, CSL Limited (Australia's largest biopharmaceutical company) and Zenyth announced a merger proposal under which CSL would acquire 100% of the issued shares in Zenyth, to be implemented by way of a scheme of arrangement between Zenyth and its shareholders. The scheme of arrangement was approved by shareholders at meetings held in October 2006, and the transaction was completed in November 2006.

Prior to the merger, Circadian held 28.3 million Zenyth shares, representing 22.6% of Zenyth's issued capital. For the half-year ended 31 December 2006, Circadian recorded a pre-tax gain of $7,548,983 on the disposal of its holding in Zenyth to CSL and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total pre-tax gain of $12,623,847.

- *Avexa Limited (Circadian interest: 12%)* - On 18 December 2006, Avexa announced the "completion of recruitment of patients for its Phase 2b trial on apricitabine (ATC), its novel nucleoside reverse transcriptase inhibitor (NRTI) for the treatment of human immunodeficiency virus (HIV)."
  (ASX: AVX; website: www.avexa.com.au)

  Since 31 December 2006 Circadian sold 9,783,073 Avexa shares for a net consideration of $5,215,704 providing a pre-tax gain of $3,067,766. This has reduced Circadian's interest in this holding from 11.6% to 7.63%.

For further details regarding Circadian's projects and technology holdings refer to the Directors' Report included in the Half-Year Report attached. For further information regarding the progress of Circadian's listed technology holdings, see their respective public announcements which can be found on their respective websites, as detailed above, and on www.asx.com.au.

Circadian's Holdings in Listed Companies and Cash

As at close of trading on 12 February 2007, the value of Circadian's listed holdings and net cash was as follows:

Holdings and Cash	**Shareholding %**	**Portfolio Value**	
		$'000	**$ per Circadian share**
Metabolic Pharmaceuticals Ltd	12.0	32,051	0.80
Optiscan Imaging Ltd	6.4	3,320	0.08
Antisense Therapeutics Ltd¶	23.6	6,416	0.16
Avexa Limited	7.6	11,115	0.28
Cash		35,100	0.87
Total		**88,002**	**2.19**

¶ Including direct and indirect interests

The market value of the company's listed share portfolio as at 12 February 2007 and cash is $88,002,439 million, equating to $2.19 per Circadian share.

This letter and the attached Half-Year 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 2006.

Yours faithfully

Natalie Korchev
Company Secretary

APPENDIX 4D

Half-Year Report

Name of entity:	**CIRCADIAN TECHNOLOGIES LIMITED**
ABN:	**32 006 340 567**
Reporting period:	**HALF-YEAR ENDED 31 DECEMBER 2006**
Previous corresponding period:	HALF-YEAR ENDED 31 DECEMBER 2005

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THIS HALF-YEAR REPORT IS TO BE READ IN CONJUNCTION WITH THE COMPANY'S 2006 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 2006 are as follow:

Revenues and Results from Ordinary Activities:		**Change compared to 31/12/05 %**		**31/12/06 $**
Revenues from ordinary activities	Up	3,282	to	21,610,790
Profit/(loss) from ordinary activities after tax attributable to members				9,070,559
Net profit/(loss) for the period attributable to members				9,070,559
Note: The percentage changes for the profit (loss) comparative have not been provided as the company has moved from a loss position in the corresponding period to a profit position during the period under review.				

Brief explanation of figures reported above:

Revenues from ordinary activities – explanation of % change compared to 31/12/05:

The current period includes a net gain on sale of investments of $20,909,607 comprising:

- a gain on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited of $8,285,760 (Circadian's remaining holding is 36,012,701 ordinary shares); and
- a gain of $7,548,983 on the disposal of its holding in Zenyth Therapeutics Limited and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 (a total gain of $12,623,847). This transaction is a result of the acquisition by CSL Limited of Zenyth by a scheme of arrangement.

In the previous corresponding period there were no disposals of the Company's listed holdings.

Net profit/(loss) for the period:

The consolidated profit of the Group for the half-year was $9,070,559 (2005: loss of 899,936) after an income tax expense of $5,641,787 (2005: income tax benefit of $343,915).

The results for the half-year ended 31 December 2006 reflect the following key items (all amounts are pre-tax):

- a gain on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited of $8,285,760 (Circadian's remaining holding is 36,012,701 ordinary shares);
- the acquisition by CSL Limited of Zenyth Therapeutics Limited by a scheme of arrangement. The company recognised a gain of $7,548,983 on the disposal of its holding in Zenyth and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total gain of $12,623,847;
- the consolidation of the results of Vegenics Limited which includes - the intellectual property (IP) costs with respect to the license agreement with CoGenesys Inc of $2,631,925 being fully expensed although the rights provided under that agreement are available to Vegenics until the relevant patents expire. It also reflects the expensing of the IP costs relating to VEGF under the agreement between Vegenics, the Ludwig Institute for Cancer Research (LICR) and Licentia Limited amounting to $4 million. The granted patents for the various IP estates which Vegenics has access to expire at various dates between 2015 and 2022. Patent costs incurred by Vegenics for the period amounted to $822,002. Further information with respect to Vegenics is provided under Review of Operations;
- research and development expenditure of $1,312,012 being an increase of $967,566 as compared to the half-year ended 31 December 2005 (this includes research and development costs incurred by Vegenics of $281,566); and
- an expense amount of $449,577 being Circadian's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2006 as required under equity accounting.

For further details relating to the current period's results, refer to the Directors' Report contained within the Financial Report for the half-year ended 31 December 2006.

Shareholder Distributions

No dividends have been paid or declared by the entity since the beginning of the current reporting period.

CIRCADIAN TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

ABN 32 006 340 567

CONDENSED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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 2006.

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)
Leon Serry (Managing Director)
Graeme Kaufman (Executive Director)
Dr John Stocker
James MacKenzie
Donald Clarke

Principal Activities

The principal activities of Circadian and its subsidiary companies ("the Group") include the management and funding of pharmaceutical research and development projects with Australian and New Zealand Universities to the stage where collaborative and/or licensing arrangements with major international pharmaceutical companies are sought. These activities also include investment in leading edge Australian technology. The Group is committed to the innovation, management and commercialisation of its projects and technology holdings.

Results

- The consolidated profit of the Group for the half-year was $9,070,559 after an income tax expense of $5,641,787 (2005: loss of $899,936 after an income tax benefit of $343,915).
- The net tangible asset backing per share as at 31 December 2006 was $1.86 (2005: $1.60).
- Cash reserves as at 31 December 2006 amounted to $42,343,923.
- Subsequent to 31 December 2006, the combined market value of Circadian's shareholdings in listed investments increased by 11,825,579 to $56,942,061 (this includes the net sales proceeds received of $5,215,704 on the disposal of 9.78 million Avexa shares post period end). The increase in market value of these investments since period end is not reflected in the 31 December 2006 financial statements.

The results for the half-year ended 31 December 2006 reflect the following key items (all amounts are pre-tax):

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- the consolidation of the results of Vegenics Limited which includes - the license fees incurred with respect to the license agreement with CoGenesys Inc (patents licensed to Vegenics) of $2,631,925 being fully expensed although the rights provided under that agreement are available to Vegenics until the relevant patents expire. It also reflects the expensing of the intellectual property relating to VEGF under the agreement between Vegenics, LICR and Licentia amounting to $4 million. The granted patents for the various IP estates which Vegenics has access to expire at various dates between 2015 and 2022. Patent costs incurred by Vegenics for the period amounted to $822,002. Further information with respect to Vegenics is provided under Review of Operations;
- research and development expenditure of $1,312,012 being an increase of $967,566 as compared to the half-year ended 31 December 2005 (this includes research and development costs incurred by Vegenics of $281,566); and
- an expense amount of $449,577 being Circadian's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2006 as required under equity accounting.

Significant Events after Balance Date

(i) In February 2007, Circadian subscribed for a further 40,000,000 ordinary shares in Vegenics Limited for a total consideration of $8 million. After the restructure of the share capital of Vegenics by way of a 3.2:1 share split, Circadian's interest in Vegenics is now 65.2%.

(ii) Subsequent to period end Circadian sold 9.8 million shares in Avexa Ltd for a net consideration of $5,215,704 (after brokerage fees) providing a pre-tax gain on sale of $3,067,766. Circadian retains 18,839,055 shares in Avexa representing 7.63% of that company's issued capital.

(iii) Following shareholder approval of an issue of options to the executive directors of the company, an offer of a total of 1.9 million options has been made to the executive directors and senior management of the company under the Circadian Senior Management Long Term Incentive Plan which were granted on 9 February 2007. Each offer of options is divided equally into 3 tranches and the major terms of issue are:

- each option will entitle the holder to acquire by way of issue one fully paid ordinary share in the capital of the Company at an exercise price of $1.50;
- the options will vest on the satisfaction of the following performance conditions within 5 years of the grant date of the options:
  - *Tranche 1* – a market price for a Circadian share (**Share Price**) achieves not less than 125% of the Exercise Price (i.e. $1.875);
  - *Tranche 2* – the Share Price achieves not less than 150% of the Exercise Price (i.e. $2.25); and
  - *Tranche 3* – the Share Price achieves not less than 175% of the Exercise Price (i.e. $2.625).
- no options may be exercised for 4 years; and
- the final date for exercise of the options will be the fifth anniversary of grant date.

The exercise price of $1.50 is based on the volume weighted average closing price of Circadian ordinary shares traded on the ASX in the 20 days prior to and including 20 October 2006.

(iv) Subsequent to period end, the market value of Circadian's investments in listed companies (see note 7) increased by $11,825,579 to $56,942,061 (this includes the net sales proceeds received on the disposal of 9.8 million Avexa shares post period end – see (ii) above). The increase in market value of these investments since period end is not reflected in the financial report.

Review of Operations

Detailed below is an update on the Group's interests in research and development projects and listed and other technology holdings for the half-year ended 31 December 2006. The 30 June 2006 annual report contains detailed background information relating to these projects and holdings and should be read in conjunction with this report.

On 1 May 2006, Circadian announced a major cancer development collaboration with the New York based Ludwig Institute for Cancer Research (LICR) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia) with the formation of a new company, Vegenics Limited (Vegenics), to develop and commercialise the intellectual property and technology of LICR and Licentia in respect of molecules known as vascular endothelial growth factors (VEGF).

On 22 August 2006, Vegenics announced that it had signed an agreement with CoGenesys Inc (based in Rockville, Maryland USA). The agreement provides Vegenics with further rights to intellectual property in the field of the vascular endothelial growth factor, VEGF-C. Under the agreement, Vegenics also obtained an option to develop an existing VEGF-C antibody developed by CoGenesys.

LICR and Licentia have developed an extensive VEGF patent portfolio, comprising more than 150 granted patents in USA, Europe, Japan and Australia and over 400 pending patent applications worldwide.

Vegenics will initially focus on developing peptide and antibody antagonists to two forms of VEGF (VEGF-C and VEGF-D) as anti-tumour agents.

Circadian has to the date of this report invested a total of $13.5 million into Vegenics, which is 65.2% owned by Circadian (this includes the 40 million Vegenics shares issued to Circadian for a total subscription price of $8 million subsequent to period end) and 34.8% owned by LICR and Licentia. It is currently the intention of Vegenics to raise a minimum of $8 million additional new equity within 12 months, by way of an ASX listing and/or private equity raising at a post-money market capitalisation in excess of $50 million to comply with the License and Shareholders Agreements.

NEUROSCIENCE RESEARCH PORTFOLIO

Alzheimer's Research Project
Project Owner: *Circadian: 100%*

This project, to develop an inhibitor to the p75 nerve growth factor receptor, is based on original work carried out at the Walter & Eliza Hall Institute (WEHI).

A characteristic feature of Alzheimer's disease is the decline and death of particular nerve cells called cholinergic neurons, leading to lowered levels of the vital chemical they produce, called acetylcholine. The currently approved drugs for treating Alzheimer's attempt to boost the level of acetylcholine to compensate for this loss.

Research at the WEHI has shown that in animal models, inhibition of the p75 receptor decreases the death of these nerve cells, and also increases their size and output of acetylcholine. It has also been shown to improve memory in these models.

The aim is to develop an inhibitor with the potential to be more effective than current approved drugs, which become less effective with age as the nerve cells die.

The University of Melbourne has been contracted to conduct this work on the development of this inhibitor and its delivery to the central nervous system. Circadian is managing the project.

Update

- A number of compounds have been synthesised and tested in the assay system for measuring uptake of compounds into the brain. Further work is being undertaken to establish the feasibility of the uptake of antisense oligonucleotides into the brain.

- Additional work is being conducted on alternative methods of delivery into the brain.

Memory Enhancement Project
Project Owners: *Circadian: 60%; University of Sydney: 40%*

This project relates to the development of a method of treating memory disorders using compounds which block the GABA-C receptor, which the researchers at the University of Sydney found may be important in memory processes.

Recently, a similar compound being developed by another company has shown significant results in memory enhancement in Phase 2 human clinical trials.

A US patent was granted in November 2005 on a family of compounds which have been shown in animal models to block GABA-C activity.

Update

- In June 2006, Circadian agreed to provide additional funding of $254,773 to enable the production of additional quantities of the compounds, and for the evaluation of these in laboratory models.

Analgesic Project
Project Owners: *Circadian: 85.7%; Monash University: 14.3%*

The aim of the analgesic project is to develop a lead compound which provides a pain killing effect without brain related side effects such as drowsiness, nausea or addiction which can be the adverse results of taking morphine and codeine, the most commonly prescribed analgesics for strong pain.

A European patent was granted in January 2006 covering one of the families of analgesic compounds.

Update

- We are currently producing additional quantities of several candidate compounds to enable more extensive laboratory testing in models of analgesia, with the aim of assembling a data package for approaching potential partners for the project.

Paracetamol Project
Project Owners: *Circadian: 50%; Howard Florey Institute: 50%*

The aim of this project is to seek to modify the paracetamol molecule to potentially reduce any possible side-effects while maintaining its painkilling properties.

Update

- Further laboratory tests are being developed to evaluate the candidate compounds in models of inflammation.

CANCER RESEARCH PORTFOLIO

Cancer Vaccines Project

Project Owners: *Circadian: 50%; Monash University: 50%*

In September 2005, Cancer Therapeutics Limited (a wholly owned subsidiary of Circadian) concluded agreements to provide funding for a research project based on the development of novel immunising agents with potential application in the development of vaccines against cancer.

The project builds on original work carried out at Monash University and the University of Melbourne. Patent applications covering the technology are currently in National Phase in major jurisdictions.

The use of vaccines as a potential therapy for cancer is attracting significant attention in the research community, as they may potentially offer a more effective approach to treatment with fewer side effects than current cytotoxic drugs. The vaccine approach is based on using a protein or peptide antigen to stimulate an immune response to the cancer cells, which may then be eliminated by the body's immune system.

The full potential of this vaccine strategy to date has been limited by issues related to the stability of the antigen after administration, and the ability of the antigen to stimulate the optimal immune response. The scientists at Monash and Melbourne have developed a method of introducing modifications to the antigen which may improve its stability and generate improved immune responses in models of anti-tumour immunity, while maintaining its specificity for the target.

Circadian has committed $1.2m in research funding over two years to demonstrate in laboratory models that the improved immune response may result in better treatment outcomes. Circadian is managing the project, which is based at Monash University.

Update

- Work is continuing on evaluating candidate peptides in laboratory tumour models.

- In July 2006, the Australian Research Council announced the award of a $671,000 Linkage Grant to Monash University to support the project. The additional funding will be used to accelerate the project and to increase its scope.

Cancers of Unknown Primary

Project Ownership: *Circadian: 50%; Peter MacCallum Cancer Centre: 50%*

In November 2003, Circadian (through its wholly owned subsidiary Cancer Therapeutics Limited) concluded collaboration agreements with the Peter MacCallum Cancer Centre whereby Circadian provides the funding and commercialisation/management expertise for a research project aimed at diagnosing cancers of unknown tissue origin. The test involves DNA microarray-based gene expression profiling to assist in the treatment of the tumour with the potential to provide a more accurate diagnosis of the disease. This project is based at the Peter MacCallum Cancer Centre in Melbourne.

Circadian originally provided a total of $500,000 in funding over two years to obtain a worldwide exclusive licence for the project, should Circadian exercise its rights under the agreements. Subsequently, in March 2006, Circadian provided a further $250,000 and extended the project until March 2008.

Update

- Work is continuing on the development and testing of a new PCR-based assay platform suitable for routine use in diagnostic laboratories.

- A protocol has been developed to access samples from a third party clinical trial (planned to be conducted in the UK) to assist in the validation of the new PCR-based platform.

CancerProbe Pty Ltd - Cancer Diagnostic/Therapeutics
Shareholders: *Circadian: 30%; Inventors and Others: 70%*

CancerProbe has lodged patents (patent application) for a potential novel method for rapid identification and detection of cancer-specific antigens. The methodology may have applications as a diagnostic product for a broad range of cancers, including breast, ovarian, colorectal and prostate cancers.

The market for cancer tests is substantial and current tests in most cases are unsatisfactory.

Update

- Samples of markers expressed in breast cancer cells but not in normal cells have been isolated and sequenced. The current focus of the project is the development of monoclonal antibodies to them for inclusion in an assay system. The project has been awarded a Commercial Ready grant of $225,381 for development of an ELISA assay based on the identified markers.

OTHER RESEARCH

Dicarba Analogues Project
Project Owners: *Circadian: 50%; Monash University: 50%*

In March 2006, Circadian (through its wholly owned subsidiary, Polychip Pharmaceuticals Pty Ltd) concluded an agreement to provide funding for a research project based on a novel technology for the development of stable peptides, with potential application across a broad range of therapeutic agents. The project builds on original work carried out at Monash University.

Peptides are small protein molecules, including commonly known substances such as insulin, growth hormone and the conotoxins. Increasingly, peptides are being developed as therapeutic agents, as they are easier and cheaper to manufacture than compounds such as antibodies, while potentially retaining good specificity for the target. However, the use of native peptides as therapeutic agents is limited by issues related to the stability of the peptide after administration. The Monash team has developed a method of replacing internal molecular linkages known as disulphide bonds with more stable carbon bonds, in a highly specific fashion. Initial studies suggest that enhanced stability can be achieved without significant loss of activity.

Following execution of the agreement, three provisional patent applications covering the technology were lodged in February 2006.

Update

- Experimental work is in progress to demonstrate the utility of the technology in different classes of potential therapeutic peptide molecules, focusing on showing efficacy and stability in laboratory models.

Syngene Limited - Gene Diagnostics
Shareholders: *Circadian: 42.4%; Casthree Pty Ltd: 20%; Howard Florey Institute: 19.5%; Howard Florey Institute staff and others: 18.1%*

Syngene has an exclusive worldwide license from the Howard Florey Institute of Experimental Physiology and Medicine ("HFI"), one of the leading medical research institutes in Australia, for technology in the areas of DNA Therapeutics and Diagnostics. The genetic therapeutic approach may offer future treatments in which gene activity can be modified. The market for DNA Therapeutics and Diagnostics is expected to show future growth especially in light of the completion of the first draft map of the human genome.

As a result of Syngene's projects with the HFI, Syngene has exclusive licenses to a patent portfolio in the areas of *in situ* hybridisation, a technology that enables precise location of gene activity in sections of tissue and caters to diagnostic markets.

Update

- Negotiations are in progress with other potential licensees with regard to the granting of further non-exclusive licenses to Syngene's technology.

- Syngene has a 10.2% holding in Antisense Therapeutics Limited which had a market value of $2,176,539 at 31 December 2006 compared with an original cost of $505,000.

LISTED TECHNOLOGY HOLDINGS

Key Highlights:

Circadian's interests in listed technology holdings are detailed below. Background information with respect to these holdings is contained in Circadian's 2006 annual report which should be read in conjunction with this report.

The key operational highlights of these listed holdings during the period under review are excerpts from the respective listed company's Australian Stock Exchange announcements. To form a view on the operations and performance of these listed companies, the ASX announcements issued by these companies should be read in full together with information available on their respective websites.

Metabolic Pharmaceuticals Limited - Advanced Obesity Drug and Other New Drug Development Projects

Circadian Holding 31 December 2006 - Market Value: *$29.5 million;* ***Acquisition value:*** *$10K*
Shareholders: *Circadian: 12.0%; Others: 88.0%*

On 29 November 2006, Circadian sold 12 million Metabolic shares to institutional investors for a total consideration of $8.6 million providing a pre-tax gain of $8.6 million. The remaining holding is 36,012,701 shares. To date Circadian has sold a total of 18 million Metabolic shares (being the 12 million shares sold in November 2006 and 6 million shares sold in October 2003) for total net proceeds of $14.5 million which had an acquisition value of nil and related cumulative research and development costs expensed by Circadian of $400K.

Obesity Drug AOD9604

- On 18 December 2006, Metabolic announced that "the last subject has now completed the Phase 2B OPTIONS Study for obesity drug, AOD9604. The main purpose of the OPTIONS Study is to confirm the weight loss seen in the previous Phase 2B trial and if they are confirmed, to determine the dose(s) of AOD9604 to be carried forward into Phase 3 trials. The OPTIONS Study has a primary endpoint of weight loss following 12 weeks of treatment…. The total number of subjects who will be evaluated at the 12 week primary endpoint is 407, which comfortably exceeds our statistical design goal. ... Metabolic expects to report the results in March 2007..."

Pain Drug ACV1

- On 27 September 2006, Metabolic announced "that ethics approval has been obtained for the first of two Phase 2A human clinical trials on ACV1, for the treatment for neuropathic pain. Recruitment of 40 patients into this trial has now commenced. This study, the first of two Phase 2A trials designed to investigate the safety and efficacy of ACV1, will examine the effects of the drug in patients with neuropathic sciatic pain. … Metabolic expects to have the results of this trial available during the first six months of 2007 (H107)."

For information regarding the progress of Metabolic's operations see their public announcements which can be found on www.asx.com.au and www.metabolic.com.au.

Antisense Therapeutics Limited - Gene Directed Therapeutics
***Circadian Holding 31 December 2006 – Market Value:** $4.1 million; **Acquisition value:** $2.8 million*
***Shareholders:** Circadian: 19.2%; Syngene: 10.2%; Others: 70.6%*

ATL1102 for MS

- On 21 June 2006, Antisense Therapeutics announced "that dosing has commenced in the Phase IIa clinical trial of ATL1102 in patients with relapsing remitting multiple sclerosis (MS). The study, a multi-centre, randomized, double-blinded, placebo-controlled clinical trial in approximately 80 patients with relapsing-remitting MS, is being conducted at 9 clinical trial sites across Germany. The trial will assess the activity and safety of the drug in MS patients."

- On 4 October 2006, Antisense Therapeutics announced that it was "in the process of establishing additional clinical trial sites in Europe for its Phase IIa trial of ATL1102 in patients with relapsing remitting multiple sclerosis (MS) to address the slower than expected rate of patient recruitment."

  "ANP is not anticipating any material impact on the overall budgeted trial costs and based on its forecasts has sufficient funding in place to complete the trial with results anticipated in the 3rd quarter of 2007."

ATL1103 for growth and sight disorders

- On 20 December 2006, Antisense Therapeutics reported that "the Company is planning to further develop its second generation antisense drug ATL1103 for growth and sight disorders. Sufficient quantities of the drug will be manufactured for pre-clinical safety and initial human clinical trials which will then be formulated into injectable product to be used in the toxicology studies planned for the 2nd Half of 2007."

  "ATL1103 is designed to work by blocking growth hormone receptor (GHr) expression thereby reducing levels of the hormone insulin-like growth factor-1 (IGF-I) in the blood and is a potential treatment for the growth disorder acromegaly (characterized by abnormal growth of organs, face hands and feet) as well as for diabetic retinopathy, a common disease of the eye and a leading cause of blindness."

For information regarding the progress of Antisense Therapeutics' operations see their public announcements which can be found on www.asx.com.au and www.antisense.com.au.

Optiscan Imaging Limited - Early Cancer Detection
***Circadian Holding 31 December 2006 - Market Value:** $3 million; **Acquisition value:** $366K*
***Shareholders:** Circadian: 6.4%; Others: 93.6%*

- On 11 July 2006, Optiscan announced that "the prestigious Johns Hopkins Hospital, USA, and Mainz University Hospital, Germany, have announced a trans Atlantic collaboration on the use of endomicroscopy to improve early stage cancer diagnosis. …The key goal of the partnership is early stage cancer diagnosis, with endomicroscopy being one of two key focuses for the collaboration."

  "Commenting on the breakthrough clinical utility of endomicroscopy, Professor Dr. Anthony Kalloo, Director of Gastroenterology and Hepatology at Johns Hopkins said, 'This allows for the first time that cancerous cells can be recognized during the actual endoscopy, which in turn allows a better diagnosis of early stage colorectal cancer.'"

- On 15 August 2006, Optiscan announced a "successful start to pilot clinical trials of rigid endomicroscopes. ...Optiscan has commenced its pilot clinical trial program with prototype rigid endomicroscope systems. There are two separate trials, featuring different procedural specialities, at Bankstown Lidcombe Hospital, in Australia and Mainz University Hospital, in Germany. Doctors have successfully collected endomicroscope images from 19 patients during otherwise standard open surgery procedures (9 patients) and laparoscopic procedures (10 patients)."

For information regarding the progress of Optiscan's operations see their public announcements which can be found on www.asx.com.au and www.optiscan.com.

Zenyth Therapeutics Limited (formerly Amrad Corporation Limited)

On 17 July 2006, CSL Limited (Australia's largest biopharmaceutical company) and Zenyth announced a merger proposal under which CSL would acquire 100% of the issued shares in Zenyth, to be implemented by way of a scheme of arrangement between Zenyth and its shareholders. The consideration offered by CSL to Zenyth shareholders comprised 82 cents cash per Zenyth share and a pro-rata capital return to Zenyth shareholders of Zenyth's shareholding in Avexa Limited (representing an additional value of approximately four cents per Zenyth share).

The scheme of arrangement was approved by shareholders at meetings held in October 2006, and the transaction was completed in November 2006.

Prior to the merger, Circadian held 28.3 million Zenyth shares, representing 22.6% of Zenyth's issued capital. For the half-year ended 31 December 2006, Circadian recorded a pre-tax gain of $7,548,983 on the disposal of its holding in Zenyth to CSL and a gain on the recoupment of impairment losses recognised in retained earnings to 30 June 2005 on the investment in Zenyth of $5,074,864 – resulting in a total pre-tax gain of $12,623,847.

Avexa Limited
Circadian Holding 31 December 2006 - Market Value: *$8.4 million;* ***Acquisition value:*** *$9.5 million*
Shareholders: *Circadian: 11.6%; Others: 88.4%*

- On 18 December 2006, Avexa announced the "completion of recruitment of patients for its Phase 2b trial on apricitabine (ATC), its novel nucleoside reverse transcriptase inhibitor (NRTI) for the treatment of human immunodeficiency virus (HIV). Avexa anticipates that approximately fifty patients will be enrolled in the trial, having been carefully selected in a rigorous screening process that confirms the presence of the viral mutation M184V."

  " 'This is an extremely important milestone for the company and we look forward to receiving the 21 day data in the first quarter of next year, and the 24 and 48 week data as the trial progresses' stated CEO Dr Julian Chick."

- On 6th December 2006, Avexa announced that "a second lead compound from its antibacterial program has antibacterial activity when given systemically to animals for the treatment of drug-resistant bacterial infections. ...Antibacterial activity was demonstrated against a strain of bacteria that is resistant to a wide range of antibiotics."

- Since 31 December 2006 Circadian sold 9,783,073 Avexa shares for a net consideration of $5,215,704 providing a pre-tax gain of $3,067,766. This has reduced Circadian's interest in this holding from 11.6% to 7.63%. Also see "Significant Events After Balance Date" above.

For information regarding the progress of Avexa's operations see their public announcements which can be found on www.asx.com.au and www.avexa.com.au.

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 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:

Leon Serry
Director

Dominique Fisher
Director

Melbourne
12 February 2007

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

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

In relation to our review of the financial report of Circadian Technologies Limited for the half-year ended 31 December 2006, 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

Lonergan

Joanne Lonergan
Partner
12 February 2007

INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated 31 December 2006 $	31 December 2005 $
Finance revenue		610,081	630,094
Investment income		20,909,607	-
Other revenue		91,102	8,750
Revenue	4(a)	21,610,790	638,844
Research and development expenses		(1,312,012)	(344,446)
Intellectual property costs	4(b)	(6,631,925)	-
Patent expenses	4(b)	(867,563)	(127,967)
Administrative expenses	4(b)	(1,539,583)	(1,261,915)
Occupancy expenses		(59,029)	(56,395)
Impairment losses		(86,323)	(2,773)
Share of net profit/(loss) of associates	8(b)	(367,231)	(16,334)
Net foreign exchange gain		65,652	-
Finance costs		-	(96,851)
Other		23,827	-
Profit/(loss) before income tax		**10,836,603**	**(1,267,837)**
Income tax benefit/(expense)	5	(5,641,787)	343,915
Net profit/(loss) for the period		**5,194,816**	**(923,922)**
Loss attributable to minority interests	9	3,875,743	23,986
Profit/(loss) attributable to members of the parent		**9,070,559**	**(899,936)**

Earnings per share (cents per share):			
- basic for profit/(loss) for the half-year attributable to ordinary equity holders of the parent		22.61	(2.24)
- diluted for profit/(loss) for the half-year attributable to ordinary equity holders of the parent		22.46	(2.24)

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	Consolidated 31 December 2006 $	30 June 2006 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	42,343,923	14,607,460
Receivables		255,500	112,241
Prepayments		411,263	401,660
Other financial assets		16,640	53,718
		43,027,326	15,175,079
Asset classified as held for sale	6	-	13,284,354
Total Current Assets		43,027,326	28,459,433
Non-Current Assets			
Financial investments	7	41,006,889	26,739,165
Investments in associates	8	2,445,025	2,383,787
Deferred tax asset		135,955	1,231,854
Plant and equipment		77,824	44,808
Goodwill		99,973	149,218
Total Non-Current Assets		43,765,666	30,548,832
TOTAL ASSETS		86,792,992	59,008,265
LIABILITIES			
Current Liabilities			
Payables		2,960,298	944,685
Provisions		376,811	367,817
Total Current Liabilities		3,337,109	1,312,502
Non-Current Liabilities			
Deferred tax liability		8,508,883	968,883
Provisions		47,237	36,304
Total Non-Current Liabilities		8,556,120	1,005,187
TOTAL LIABILITIES		11,893,229	2,317,689
NET ASSETS		74,899,763	56,690,576
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		33,167,977	33,167,977
Retained earnings		12,898,855	3,828,296
Reserves		28,049,937	19,594,824
Parent interests		74,116,769	56,591,097
Minority interests	9	782,994	99,479
TOTAL EQUITY		74,899,763	56,690,576

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	CONSOLIDATED – Attributable to equity holders of the parent									*Minority interests*	*Total equity*
	Issued capital	*Asset revaluation reserve*	*Option reserve*	*Contributed capital of associate reserve*	*Employee benefits reserve*	*Acquisition reserve – parent*	*Net unrealised gains reserve*	*Retained earnings/ (accumulated losses)*	*Total*		
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
At 1 July 2005	**33,167,977**	**734,407**	**19**	**656,890**	**108,754**	**-**	**229,745**	**10,001,318**	**44,899,110**	**142,413**	**45,041,523**
Net unrealised gains on non-current listed investments on adoption of AASB 139	-	-	-	-	-	-	22,910,766	-	22,910,766	-	22,910,766
Net unrealised losses on non-current listed investments for the period	-	-	-	-	-	-	(2,286,043)	-	(2,286,043)	-	(2,286,043)
Total unrealised fair value adjustments	-	-	-	-	-	-	20,624,723	-	20,624,723	-	20,624,723
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	20,624,723	-	20,624,723	-	20,624,723
Profit/(loss) for the period	-	-	-	-	-	-	-	(899,936)	(899,936)	(23,986)	(923,922)
Impairment loss on investment in associate on adoption of AASB 139 by associate	-	-	-	-	-	-	-	(357,446)	(357,446)	-	(357,446)
Total recognised income and expense for the period	-	-	-	-	-	-	20,624,723	(1,257,382)	19,367,341	(23,986)	19,343,355
Cost of share-based payment	-	-	-	-	73,981	-	-	-	73,981	-	73,981
At 31 December 2005	**33,167,977**	**734,407**	**19**	**656,890**	**182,735**	**-**	**20,854,468**	**8,743,936**	**64,340,432**	**118,427**	**64,458,859**
At 1 July 2006	**33,167,977**	**734,407**	**19**	**609,379**	**261,014**	**-**	**17,990,005**	**3,828,296**	**56,591,097**	**99,479**	**56,690,576**
Net unrealised gains on non-current listed investments for the period	-	-	-	-	-	-	17,053,480	-	17,053,480	-	17,053,480
Realised gain on non-current listed investment reclassified to the income statement	-	-	-	-	-	-	(7,196,931)	-	(7,196,931)	-	(7,196,931)
Realised gain on held for sale investment reclassified to the income statement	-	-	-	-	-	-	(1,088,186)	-	(1,088,186)	-	(1,088,186)
Net gain on new share issue by associate	-	-	-	202,476	-	-	-	-	202,476	-	202,476
Total income and expense for the period recognised directly in equity	-	-	-	202,476	-	-	8,768,363	-	8,970,839	-	8,970,839
Profit/(loss) for the period	-	-	-	-	-	-	-	9,070,559	9,070,559	(3,875,743)	5,194,816
Total recognised income and expense for the period	-	-	-	202,476	-	-	8,768,363	9,070,559	18,041,398	(3,875,743)	14,165,655
Cost of share-based payment	-	-	-	-	43,532	-	-	-	43,532	-	43,532
Capital injection by minority interests	-	-	-	-	-	-	-	-	-	4,000,000	4,000,000
Acquisition of minority interests	-	-	-	-	-	(559,258)	-	-	(559,258)	559,258	-
At 31 December 2006	**33,167,977**	**734,407**	**19**	**811,855**	**304,546**	**(559,258)**	**26,758,368**	**12,898,855**	**74,116,769**	**782,994**	**74,899,763**

CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated 31 December 2006 $	31 December 2005 $
Cash Flows from Operating Activities:			
Interest received		513,237	666,319
Receipt of government grants		82,799	-
Other receipts		12,375	9,625
Payments to suppliers, employees and for research & development and intellectual property costs		(4,280,550)	(1,757,106)
Borrowing costs		-	(80,404)
Net cash flows from/(used in) operating activities		(3,672,139)	(1,161,566)
Cash Flows from Investing Activities:			
Purchase of investments		-	(5,000)
Proceeds from sale of investments		31,462,718	-
Purchase of plant and equipment		(46,002)	(7,201)
Net cash flows from/(used in) investing activities		31,416,716	(12,201)
Cash Flows from Financing Activities:			
Repayment of borrowings		-	(5,000,000)
Payment of unfranked dividends	(i)	(2,560)	(10,441)
Return of capital to shareholders	(i)	(5,554)	(1,942)
Net cash flows from/(used in) financing activities		(8,114)	(5,012,383)
Net increase/(decrease) in cash and cash equivalents		27,736,463	(6,186,150)
Cash and cash equivalents at beginning of period		14,607,460	24,679,406
Cash and cash equivalents at end of period	10	42,343,923	18,493,256

(i) The payment of unfranked dividends and return of capital during the current period is to those shareholders who were not paid in the previous period due to their addresses being unknown at that time. The dividends and the return of capital to shareholders were declared during the financial year ended 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

The financial report of Circadian Technologies Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 12 February 2007.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The half-year financial report should be read in conjunction with the annual financial report of Circadian Technologies Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Circadian Technologies Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 *Interim Financial Reporting*. The half-year financial report has been prepared on a historical cost basis, except for investments classified as available-for-sale, non-current receivables from subsidiaries, holdings in listed options and other listed investments that are not associates, which have been measured at fair value.

The financial report is presented in Australian dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

During the current reporting period, Circadian's subsidiary, Vegenics Limited, entered into agreements relating to intellectual property and the relevant accounting policies with respect to these are as follows:

(i) *Intellectual Property Costs*

Amounts incurred for rights to or acquisition of intellectual property are expensed in the year in which they are incurred to the extent that such intellectual property is used for research and development activities.

(ii) *Intangible assets*

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant accounting policies (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Circadian Technologies Limited and its subsidiaries (the Group) as at 31 December 2006.

Minority interests represent the portion of profit or loss and net assets in CancerProbe Pty Ltd and Vegenics Limited not held by the Group, and are presented separately in the income statement and within equity in the consolidated balance sheet. Vegenics Limited was incorporated by Circadian on 10 January 2006 for the purpose of forming a collaboration between Circadian, the Ludwig Institute for Cancer Research (LICR) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia), in respect of molecules known as vascular endothelial growth factors (VEGF). This collaboration became effective on 4 July 2006, on which day shares were issued to each of Circadian, LICR and Licentia. See note 9 for further details.

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 principal activities of the Company include the management and funding of pharmaceutical research and development projects with Australian and New Zealand Universities and scientific institutes to the stage where the Company seeks collaborative and/or licensing arrangements with major international pharmaceutical companies. These activities also include investment in leading edge Australian technology. The Company is committed to the innovation, management and commercialisation of its projects and technology investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

4. REVENUE AND EXPENSES

	Consolidated	
	31 December 2006 $	**31 December 2005 $**
(a) Revenue		
Finance revenue		
Interest from:		
- Bank	596,345	616,358
- Related party – associated company	13,736	13,736
	610,081	630,094
Investment income		
Net gain on sale of investments (i)	20,909,607	-
Other revenue		
Government grant income	79,852	-
Other revenue items	11,250	8,750
	91,102	8,750
Total revenue	21,610,790	638,844

(i) The net gain on sale of investments of $20,909,607 comprises the following:

Investment in Metabolic Pharmaceuticals Limited:

Net proceeds from sale of shares	8,285,760	-
Cost of shares sold	-	-
Net gain on sale of shares	8,285,760	-

The sale relates to 12,000,000 ordinary shares in Metabolic Pharmaceuticals Limited, sold on 29 November 2006. Circadian retains 36,012,701 shares in Metabolic after the sale of the shares.

Investment in Zenyth Therapeutics Limited:

Gross cash proceeds from disposal of investment	23,176,958	-
Value of in-specie distribution of Avexa shares (note 7)	1,176,691	-
	24,353,649	-
Cost of disposed investment	(16,804,666)	-
Gain on disposal of investment	7,548,983	-
Recoupment of impairment losses recognised in retained earnings	5,074,864	-
Total	12,623,847	-

During the period, the Supreme Court of Victoria approved the scheme of arrangement between Zenyth Therapeutics Limited (Zenyth) and its shareholders under which all Zenyth shares were transferred to CSL Limited (CSL) in consideration of CSL paying Zenyth shareholders 82 cents per Zenyth share plus an in-specie distribution of Avexa Limited (Avexa) shares owned by Zenyth (1 Avexa share for every 6 Zenyth shares held). The Avexa share price on the effective day of distribution of those shares was 25 cents.

The impairment losses recognised in retained earnings reflect the difference between the market value of Circadian's holding in Zenyth at 30 June 2005 and the cost of the Zenyth holding at 30 June 2005 (whereby the cost exceeded the market value). Also see note 6.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

4. REVENUE AND EXPENSES (continued)

	Consolidated	
	31 December 2006 $	31 December 2005 $
(b) Expenses included in the income statement		
Intellectual property costs (i)	(6,631,925)	-
Patent expenses (ii)	(867,563)	(127,967)
Included in administrative expenses:		
- Employee benefits	1,151,412	1,002,620

(i) Intellectual property costs include an amount of $4 million relating to a patent portfolio in accordance with an agreement between Vegenics Limited (Circadian's subsidiary), the Ludwig Institute for Cancer Research (LICR) and Licentia Limited (Licentia) – also see note 2(c) and note 9. As the intellectual property provided under this agreement will be used for research and development activities, in accordance with Vegenics' company policy, the costs for this intellectual property have been expensed in profit or loss. Certain licenses exist between LICR and its licensees of which Vegenics will receive milestone income on Vegenics completing a $16 million capital raising under the agreement between Vegenics, LICR and Licentia.

Intellectual property costs also include an amount of $2,631,925 relating to an agreement with CoGenesys Inc which provides Vegenics with rights to intellectual property in the field of VEGF-C (vascular endothelial growth factors C), and complements the Vegenics patent portfolio covering VEGF-C and VEGF-D and antagonists to these molecules, developed by LICR and Licentia.

(ii) Patent expenses includes an amount of $822,002 incurred by Vegenics, which includes patent costs and patent attorney fees incurred in respect of the patent families as detailed in a License Agreement between Vegenics, LICR and Licentia, and patent fees relating to the license agreement with CoGenesys.

5. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2006 and 31 December 2005 are:

	Consolidated	
	31 December 2006 $	31 December 2005 $
Consolidated Income Statement		
Current income tax		
Current income tax charge	3,974,157	(360,939)
Deferred income tax		
Relating to origination and reversal of temporary differences	1,667,630	17,024
Income tax expense/(benefit) reported in the income statement	5,641,787	(343,915)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	31 December 2006 $	30 June 2006 $
6. ASSET CLASSIFIED AS HELD FOR SALE (CURRENT)		
Investment at fair value – listed shares (note 7)	-	13,284,354

Prior to 30 June 2006, Circadian intended to dispose of the Group's holding in the ordinary shares of Zenyth Therapeutics Limited (Zenyth). On 17 July 2006, Zenyth and CSL Limited (CSL) announced a proposal under which CSL would acquire 100% of the issued shares in Zenyth. The acquisition was implemented by way of a scheme of arrangement between Zenyth and its shareholders. The consideration offered by CSL to Zenyth shareholders comprised 82 cents cash per Zenyth share and a pro-rata capital return to Zenyth shareholders of all Zenyth's shareholding in Avexa Limited (Avexa) for which Zenyth shareholders received approximately one Avexa share for every six Zenyth shares held at the record date. In November 2006, after approval by the Supreme Court of Victoria, Circadian received $23,176,958 cash (representing Fibre Optics' holding of 28,264,583 shares @ 82 cents per share) plus an in-specie distribution of 4,706,763 Avexa shares.

Immediately before the initial classification of the asset as held for sale, the asset was accounted for as an "available-for-sale" financial asset pursuant to AASB 139 *Financial Instruments: Recognition and Measurement*. At 30 June 2006 the investment in Zenyth was recognised at its fair value. There were no selling costs on the sale of this investment. For the year ended 30 June 2006, an unrealised gain (fair value adjustment) before tax of $1,554,552 was recognised in the net unrealised gains reserve. Total impairment losses of $5,074,864 were recognised in prior periods through profit and loss.

See note 4(a)(i) regarding the gain on the disposal of this holding in Zenyth.

7. FINANCIAL INVESTMENTS

Details of listed shares and options

Listed Investments	Ownership Interest		Fair Value (i)		Cost of Investment	
	Dec 2006 %	Jun 2006 %	Dec 2006 $	Jun 2006 $	Dec 2006 $	Jun 2006 $
Non-current investments:						
Metabolic Pharmaceuticals Ltd	12.0	16.9	29,530,415	18,484,890	10,000	10,000
Avexa Limited (ii)	11.6	12.1	8,443,528	5,380,957	9,509,930	8,333,239
Optiscan Imaging Ltd	6.4	6.4	3,032,946	2,873,318	366,131	366,131
			41,006,889	26,739,165	9,886,061	8,709,370
Other financial asset (current):						
Antisense Therapeutics Ltd (Options)			-	39,851	1,087,614	1,087,614
Asset classified as held for sale:						
Zenyth Therapeutics Ltd (iii) (note 6)	-	22.6	-	13,284,354	-	16,804,666
Associate:						
Antisense Therapeutics Ltd (iv) (note 8)	19.2	22.1	4,109,593	2,671,236	2,864,766	2,864,766
Total listed investments			45,116,482	42,734,606	13,838,441	29,466,416

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

7. FINANCIAL INVESTMENTS (continued)

Details of listed shares and options (continued)

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, Circadian received an in-specie distribution of 4,706,763 Avexa shares at a value of $1,176,691 (representing 25 cents per share), being a pro-rata capital return to Zenyth shareholders of all of Zenyth's shareholding in Avexa on the acquisition of Zenyth by CSL Limited. See note 4(a) and note 6 for further details.

(iii) During the current period, the investment in Zenyth was disposed of as a result of the acquisition of Zenyth by CSL. See note 4(a) and note 6 for further details on the gain on the disposal of this investment.

(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 23.6% at period end, representing a market value of $5,032,010 (cost: $2,964,136).

8. INVESTMENTS IN ASSOCIATES

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

	Ownership Interest %		Carrying Amount $	
Name and Principal Activities	**Dec 2006**	**Jun 2006**	**Dec 2006**	**Jun 2006**
Syngene Limited – Gene diagnostics	42.38	42.38	747,085	438,746
Antisense Therapeutics Ltd – Gene directed therapeutics (i)	19.2	22.1	1,697,940	1,945,041
			2,445,025	2,383,787

All associated entities were incorporated in Australia.

(i) In the February 2006 capital raising by Antisense Therapeutics Limited (which was approved by Antisense Therapeutics shareholders in April 2006), Circadian (through its wholly owned subsidiary Polychip Pharmaceuticals Pty Ltd) purchased an additional 30 million ordinary shares at a total cost of $1 million and served as the major investor (Circadian's direct interest in Antisense increased from 20.4% to 22.13% after the share placement). As Circadian was the main investor in this transaction, the board of directors determined that Circadian has "significant influence" over Antisense Therapeutics based on the definition in accounting standard AASB 128 *Investments in Associates* and as such it was resolved that Circadian should equity account Antisense Therapeutics with effect from 1 January 2006.

Prior to 1 January 2006, the investment in Antisense Therapeutics was accounted for as an "available-for-sale asset" pursuant to AASB 139 *Financial Instruments: Recognition and Measurement.*

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

8. INVESTMENTS IN ASSOCIATES (continued)

(b) Share of the associates' profit or loss:

	Syngene Ltd		Antisense Therapeutics Ltd (i)	
	Dec 2006 $	Dec 2005 $	Dec 2006 $	Dec 2005 $
Revenue	14,255	7,844	51,389	-
Profit/(loss) before income tax	(14,508)	(23,077)	(449,577)	-
Income tax benefit/(expense)	96,854	6,743	-	-
Total recognised in income statement	82,346	(16,334)	(449,577)	-

(i) Prior to 1 January 2006, the investment in Antisense Therapeutics was accounted for as an "available-for-sale asset" pursuant to AASB 139 *Financial Instruments: Recognition and Measurement.*

(c) Contingent liabilities and assets of associates:

There has been no change in contingent liabilities and assets since the last annual reporting date.

9. MINORITY INTERESTS

	Consolidated	
	31 December 2006 $	30 June 2006 $
At balance date, the minority interests in the Group comprised:		
Share of contributed equity	4,279,584	280,084
Share of accumulated losses	(3,496,590)	(180,605)
	782,994	99,479

The above balances include the minority interest in Vegenics Limited and the minority interest in CancerProbe Pty Ltd. The minority interest in Vegenics' share capital amounts to $4 million (refer to note 4(b)(i)) and the minority interest in that company's accumulated losses amounts to $3.3 million (this includes the minority interest's share of Vegenics' losses for the current half-year period of $3.8 million).

Vegenics was incorporated by Circadian on 10 January 2006 for the purpose of forming a collaboration between Circadian, the Ludwig Institute for Cancer Research (LICR) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia), to develop and commercialise the intellectual property and technology of LICR and Licentia in respect of molecules known as vascular endothelial growth factors (VEGF). On the satisfaction of the conditions precedent of the Shareholders Agreement relating to Vegenics between Circadian, LICR and Licentia (Shareholders Agreement), shares were to be applied for in Vegenics by each of these entities. The conditions precedent included the execution of the License Agreement between Vegenics, LICR and Licentia and the satisfactory completion of legal and technical due diligence by Circadian.

On 29 June 2006, the conditions precedent were satisfied in full and the following shares were issued in Vegenics on 4 July 2006 pursuant to the Shareholders Agreement with Circadian having control over that entity:

- 24,999,995 ordinary shares to Circadian; and
- 13,500,000 ordinary shares to LICR and 11,500,000 ordinary shares to Licentia.

Under the License Agreement, LICR and Licentia have exclusively provided rights to Vegenics to all of their jointly owned technology covering VEGF-C and VEGF-D antagonists as therapeutic and diagnostic agents ('LICR and Licentia IP estate'). Subject to Vegenics raising $16 million of new equity within 24 months of 21 April 2006 (Capital Raising), LICR and Licentia have agreed to assign to Vegenics the LICR and Licentia IP estate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

9. MINORITY INTERESTS (continued)

Under the License Agreement, effective from 21 April 2006, Vegenics is to reimburse to LICR the reasonably incurred third party fees and costs incurred by LICR in the registration, prosecution, enforcement and maintenance of the LICR and Licentia IP estate up to a maximum amount of $1.5 million per year, for the earlier of a period of 24 months or the date of assignment of the LICR and Licentia IP estate to Vegenics which is subject to and will occur on the completion of the Capital Raising (also see notes 4(b) and 12).

In September 2006, 9,375,000 ordinary shares were issued to Circadian after receipt of a total cash consideration of $1.5 million. Also see note 13 Events After the Balance Sheet Date regarding a further issue of shares to Circadian.

10. CASH AND CASH EQUIVALENTS

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

	Consolidated	
	31 December 2006 $	31 December 2005 $
Cash at bank	598,923	723,256
Term deposits (i)	41,745,000	17,770,000
Closing cash balance	42,343,923	18,493,256

(i) 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 60 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 6.30%.

11. COMMITMENTS

Operating lease commitments – Group as lessee
The Group has entered into a commercial lease for the office premises. The lease has an average term of three years with a further term of three years. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under the non-cancellable operating lease as at period end are as follows:

	Consolidated	
	31 December 2006 $	30 June 2006 $
Within one year	82,493	80,288
After one year but not more than five years	41,170	87,361
	123,663	167,649

Research projects commitments
The Group has entered into research and development agreements with various parties. Expenditure commitments relating to research projects are payable as follows:

Within one year	1,230,562	1,292,857
After one year but not more than five years	122,500	223,323
	1,353,062	1,516,180

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

12. RELATED PARTY DISCLOSURES

During the period, patent costs totalling $573,539 were incurred by Vegenics Limited (a controlled entity of Circadian) that are to be reimbursed to the Ludwig Institute for Cancer Research (LICR) for third-party patent attorney costs incurred by LICR in respect of the patent families as detailed in the License Agreement between Vegenics, LICR and Licentia (the commercial arm of the University of Helsinki). Dr Jonathan Skipper and Dr Andrew Simpson, directors of Vegenics since 11 July 2006, are executive officers of LICR. Patent costs incurred for the period 21 April 2006 (being the commencement date in accordance with the License Agreement) to 31 December 2006 totalling $694,447 were payable to LICR as at 31 December 2006.

13. EVENTS AFTER THE BALANCE SHEET DATE

(i) In February 2007, Circadian subscribed for a further 40,000,000 ordinary shares in Vegenics Limited for a total consideration of $8 million. After the restructure of the share capital of Vegenics by way of a 3.2:1 share split, Circadian's interest in Vegenics is now 65.2%.

(ii) In January and February 2007, Circadian sold a total of 9,783,073 shares in Avexa Ltd for a net consideration of $5,215,704 (after brokerage fees) providing a gain on sale of $3,067,766. Circadian retains 18,839,055 shares in Avexa representing 7.63% of that company's issued capital.

(iii) Following shareholder approval of an issue of options to the executive directors of the company, an offer of a total of 1.9 million options has been made to the executive directors and senior management of the company under the Circadian Senior Management Long Term Incentive Plan which were granted on 9 February 2007. Each offer of options is divided equally into 3 tranches and the major terms of issue are:

- each option will entitle the holder to acquire by way of issue one fully paid ordinary share in the capital of the Company at an exercise price of $1.50;
- the options will vest on the satisfaction of the following performance conditions within 5 years of the grant date of the options:
  - *Tranche 1* – a market price for a Circadian share (Share Price) achieves not less than 125% of the Exercise Price (i.e. $1.875);
  - *Tranche 2* – the Share Price achieves not less than 150% of the Exercise Price (i.e. $2.25); and
  - *Tranche 3* – the Share Price achieves not less than 175% of the Exercise Price (i.e. $2.625).
- no options may be exercised for 4 years; and
- the final date for exercise of the options will be the fifth anniversary of grant date.

The exercise price of $1.50 is based on the volume weighted average closing price of Circadian ordinary shares traded on the ASX in the 20 days prior to and including 20 October 2006.

(iv) Subsequent to period end, the market value of Circadian's investments in listed companies (see note 7) increased by $11,825,579 to $56,942,061 (this includes the net sales proceeds received of $5,215,704 on the disposal of 9.78 million Avexa shares – see (ii) above). The increase in market value of these investments since period end is not reflected in the financial report.

14. CONTINGENT ASSETS AND LIABILITIES

Vegenics Limited, a 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 $326,181 and those which could become payable in more than one year total $300,000.

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 2006 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

Leon Serry
Director

Dominique Fisher
Director

Melbourne
12 February 2007

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Report on the Half-Year Condensed Financial Report

To the members of Circadian Technologies Limited

We have reviewed the accompanying half-year financial report of Circadian Technologies Limited and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, 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.

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 designing, implementing 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 an Interim 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 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 2006 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* and other mandatory financial reporting requirements in Australia. 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 interim financial report of Circadian Technologies Limited and the entities it controlled during the half-year is not in accordance with:

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

J Lonergan

Joanne Lonergan
Partner
Melbourne
12 February 2007

OTHER INFORMATION

NTA backing	Consolidated 31.12.06	31.12.05
Net tangible asset backing per ordinary security	$1.86	$1.60

Status of review of accounts

The financial report for the half-year ended 31 December 2006 has been reviewed. The review report is included with the financial report.