14 February 2008

HALF-YEAR REPORT (REVIEWED)
PERIOD ENDED 31 DECEMBER 2007

No. of Pages: 30

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 2007.

Key Financials

- The consolidated loss of the Group for the half-year was $847,708 after an income tax expense of $495,187 (2006 half-year period: profit of $5,194,816 after an income tax expense of $5,641,787).
- The net tangible asset backing per share as at 31 December 2007 was $1.37 (30/6/2007: $1.52).
- Cash reserves as at 31 December 2007 amounted to $47,698,736 (30/6/2007: $48,193,383).
- The combined market value of the Group's shareholdings in listed investments as at 31 December 2007 was $12,069,414 (30/6/2007: $19,714,398). Since 30 June 2007, the Group disposed of shares in Avexa Limited providing it with total sales proceeds of $3,384,476 (further details provided below).
- Basic earnings per share: loss of 0.77 cents (2006 half-year period: earnings of 22.61 cents per share).

The results for the half-year ended 31 December 2007 reflect the following key items (all amounts are pre-tax):

- a gain on the disposal of 5.6 million ordinary shares in Avexa Limited of $2,575,377, which includes the recovery of impairment losses recognised prior to 1 July 2005 of $1,633,108 (Circadian's remaining holding is 8,087,914 ordinary shares). In the prior period, a total gain of $20,909,607 was realised on the acquisition by CSL of Circadian's entire holding in Zenyth Therapeutics Limited and on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited.
- the consolidation of the results of Vegenics Limited (Circadian's major cancer therapeutics development collaboration). This includes:
    - research and development expenditure (see below for further details);
    - patent costs incurred by Vegenics amounting to $795,301 (2006 half-year period: $822,002);
    - intellectual property costs of $113,534 (2006 half-year period: $6,631,925). The intellectual property costs incurred in the prior period were non-recurring costs relating to VEGF-C IP from CoGenesys Inc, the Ludwig Institute for Cancer Research and Licentia Limited.
- research and development expenditure of $1,354,451 (2006 half-year period: $1,312,012) of which $690,237 was incurred by Vegenics on its cancer therapeutics projects; and
- an expense amount of $484,795 being Circadian's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2007 as required under equity accounting (2006 half-year period: $449,577).

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Circadian's Holdings in Listed Companies and Cash at 13 February 2008

As at close of trading on 13 February 2008, the value of Circadian's listed holdings and net cash was as follows:

Holdings and Cash	**Shareholding %**	**Portfolio Value**	
		$'000	**$ per Circadian share**
Antisense Therapeutics Limited ¶	23.6	7,171	0.18
Metabolic Pharmaceuticals Ltd	12.0	1,260	0.03
Optiscan Imaging Limited	6.1	1,695	0.04
Avexa Limited	2.0	3,073	0.08
Vegenics Limited – Circadian's share of cash		9,597	0.24
Cash		32,792	0.82
Total		**55,588**	**1.39**

¶ Includes direct and indirect interests

The market value of the company's listed share portfolio as at 13 February 2008 and cash is $55.6 million, equating to $1.39 per Circadian share.

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

Vegenics Limited – global cancer project (Circadian's interest: 67%)

Vegenics was formed in collaboration with the New York based Ludwig Institute for Cancer Research (LICR) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia) in April 2006. Circadian has to the date of this report invested a total of $21.5 million into Vegenics for a 67% holding. The remaining 33% of Vegenics' shares are owned by LICR and Licentia.

Circadian's main focus now is directed towards developing and commercialising the intellectual property and technology of Vegenics Limited which is developing therapeutic agents in the field of angiogenesis. Angiogenesis, which is the process of formation of new blood vessels in the body, is precisely regulated throughout mammalian development and adult life, and the uncontrolled growth of new blood vessels is an important contributor to a number of pathologic conditions. The VEGF family of proteins has been shown to be involved in angiogenesis, and the molecule Avastin®, a humanised antibody against VEGF-A sold by Genentech Inc and Hoffman-La Roche, has been approved as an anti-cancer agent throughout the world.

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

The VEGF patent portfolio, developed by LICR and Licentia, which was assigned to Vegenics in the first half of 2007, comprises more than 250 granted patents in USA, Europe, Japan and Australia and over 400 pending patent applications worldwide in respect of the molecules VEGF-C, VEGF-D and VEGFR3. In addition to the assignment of the entire LICR/Licentia VEGF patent estate, Vegenics also gained ownership of third party licensing agreements previously entered into by LICR and Licentia with Ark Therapeutics Group plc (LSE: AKT), Imclone Systems Inc (NASDAQ: IMCL), Lymphatix Ltd and a range of international research reagent providers. Consequently, as from 2 April 2007 Vegenics is entitled to receipt of all payments which accrue under these license agreements including sales royalties, milestone payments and annual minimum royalties.

Vegenics also has a license agreement with CoGenesys Inc (based in Rockville, Maryland USA) which 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 which it exercised in June 2007. Vegenics is now undertaking ongoing studies to develop this antibody as a product candidate.

Highlights for the half-year ended 31 December 2007 include:

- On 6 November 2007 in an announcement to the London Stock Exchange, Ark Therapeutics stated that it expects to commence enrolment of patients in a Phase 3 study of Trinam® (the active component, VEGF-D gene, has been licenced from Vegenics) in the first half of 2008. Trinam® is a novel product consisting of a local delivery device and VEGF-D gene being developed to prevent the blocking of veins and arteries that frequently occurs after vascular surgery. The initial target market is haemodialysis graft access surgery, a procedure in which patients whose kidneys have failed have a plastic tube grafted between blood vessels generally in their forearm so that their blood can be regularly filtered using a dialysis machine. Trinam® has completed a Phase II trial, being the first part of the Phase II/III study. Up to 60 per cent of haemodialysis access grafts block within one year of being inserted due to de novo stenosis, so that repeat surgery must be performed. Such repeat surgery frequently fails and can only be performed a limited number of times. Alternative and more difficult routes to achieve filtration are then required. In these circumstances, the life expectancy of patients can be short.

- On 16 November 2007, Vegenics entered into a further agreement with Human Genome Sciences Inc (HGS) under which HGS granted to Vegenics an exclusive worldwide, sub-licensable licence to HGS's entire VEGF-C IP portfolio in the field of gene therapy. Vegenics has an existing agreement with CoGenesys Inc (CoGenesys was spun out of HGS) providing it with rights to intellectual property in the field of VEGF-C as described earlier.

Cancer Vaccines Project (Circadian: 75%; Monash University: 25%)

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 both the research community and the pharmaceutical industry, as they may potentially offer a more effective approach to treatment with fewer side effects than current cytotoxic drugs.

The research results from the first phase of Circadian's funding of the project were positive, having met initial agreed milestones and consequently in December 2007 Circadian agreed to commit a further $1.8m of funding to the project for the period 1 July 2007 to 30 June 2009. These funds will enable additional work to be undertaken on developing and producing potential cancer vaccine product development candidates. Circadian's interest in this project has been increased to 75% as a result of this funding.

Antisense Therapeutics Limited (Circadian interest: 23.6%) announcement on 11 February 2008

On Monday 11 February 2008, Antisense Therapeutics Limited announced that it had entered into an exclusive, world-wide license agreement with Teva Pharmaceutical Industries Ltd, a top 20 global pharmaceutical company, to develop and commercialise ATL1102 (ATL1102 is currently undergoing Phase IIa trials as a treatment for multiple sclerosis results of which are due mid-year). For details regarding this agreement refer to the announcement released by Antisense Therapeutics which can be found on www.antisense.com.au and www.asx.com.au (ASX: ANP).

For further details regarding Circadian's other projects and technology holdings, refer to the Directors' Report included in the Half-Year Report attached.

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

This letter and the attached Half-Year 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 2007.

Yours faithfully

Natalie Korchev
Company Secretary & CFO

APPENDIX 4D

Half-Year Report

Name of entity:	**CIRCADIAN TECHNOLOGIES LIMITED**
ABN:	**32 006 340 567**
Reporting period:	**HALF-YEAR ENDED 31 DECEMBER 2007**
Previous corresponding period:	HALF-YEAR ENDED 31 DECEMBER 2006

INDEX

THIS HALF-YEAR REPORT IS TO BE READ IN CONJUNCTION WITH THE COMPANY'S 2007 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 2007 are as follow:

Revenues and Results from Ordinary Activities:		**Change compared to 31/12/06 %**		**31/12/07 $**
Revenues from ordinary activities	Down	80.4	to	4,212,268
Loss from ordinary activities after tax attributable to members				(308,853)
Loss for the period attributable to members				(308,853)
Loss for the period attributable to minority interests				(538,855)
Total loss for the Group				(847,708)

Note: The percentage changes for the profit (loss) comparative have not been provided as the company has moved from a profit position in the corresponding period to a loss position during the period under review.

Brief explanation of figures reported above:

Revenues from ordinary activities – explanation of % change compared to 31/12/06:

The current period includes a net gain on the sale of 5.6 million ordinary shares in Avexa Limited of $2,575,377 which includes the recovery of impairment losses recognised prior to 1 July 2005 of $1,633,108 (Circadian's remaining holding is 8,087,914 ordinary shares).

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

- a gain of $8,285,760 on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited (Circadian's remaining holding is 36,012,701 ordinary shares); and
- an actual gain of $7,548,983 on the disposal of its holding in Zenyth Therapeutics Limited and the recovery of impairment losses recognised prior to 1 July 2005 on the investment in Zenyth of $5,074,864 – resulting in a total accounting gain of $12,623,847. This transaction is a result of the acquisition by CSL Limited of Zenyth by a scheme of arrangement.

Net profit/(loss) for the period:

The consolidated loss of the Group for the half-year was $847,708 after an income tax expense of $495,187 (2006 half-year period: profit of $5,194,816 after an income tax expense of $5,641,787).

The results for the half-year ended 31 December 2007 reflect the following key items (all amounts are pre-tax):

- with respect to the impact of revenues on the results for the period, refer to the section addressing revenue above.
- the consolidation of the results of Vegenics Limited (Circadian's major cancer therapeutics development collaboration). This includes:
  - research and development expenditure (see below for further details);
  - patent costs incurred by Vegenics amounting to $795,301 (2006 half-year period: $822,002);
  - intellectual property costs of $113,534 (2006 half-year period: $6,631,925). The intellectual property costs incurred in the prior period were non-recurring costs relating to VEGF-C IP from CoGenesys Inc, the Ludwig Institute for Cancer Research and Licentia Limited.

  Further information with respect to Vegenics is provided under Review of Operations in the Directors' Report.
- research and development expenditure of $1,354,451 (2006 half-year period: $1,312,012) of which $690,237 was incurred by Vegenics on its cancer therapeutics projects; and
- an expense amount of $484,795 being the Group's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2007 as required under equity accounting (2006 half-year period: $449,577).

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 2007.

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 2007

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 2007.

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)
John Stocker (Non-Executive Director)
James MacKenzie (Non-Executive Director)
Donald Clarke (Non-Executive Director)
Tina McMeckan (Non-Executive Director) (appointed 19 January 2008)
Graeme Kaufman (Executive Director) (resigned 25 October 2007)

Results

- The consolidated loss of the Group for the half-year was $847,708 after an income tax expense of $495,187 (2006 half-year period: profit of $5,194,816 after an income tax expense of $5,641,787).
- The net tangible asset backing per share as at 31 December 2007 was $1.37 (30/6/2007: $1.52).
- Cash reserves as at 31 December 2007 amounted to $47,698,736 (30/6/2007: $48,193,383).
- The combined market value of the Group's shareholdings in listed investments as at 31 December 2007 was $12,069,414 (30/6/2007: $19,714,398). Since 30 June 2007, the Group disposed of shares in Avexa Limited providing it with total sales proceeds of $3,384,476 (further details provided below).
- Basic earnings per share: loss of 0.77 cents (2006 half-year period: earnings of 22.61 cents per share).

The results for the half-year ended 31 December 2007 reflect the following key items (all amounts are pre-tax):

- a gain on the disposal of 5.6 million ordinary shares in Avexa Limited of $2,575,377 which includes the recovery of impairment losses recognised prior to 1 July 2005 of $1,633,108 (the Group's remaining holding is 8,087,914 ordinary shares). In the prior period, a total gain of $20,909,607 was realised on the acquisition by CSL of Circadian's entire holding in Zenyth Therapeutics Limited and on the disposal of 12 million ordinary shares in Metabolic Pharmaceuticals Limited.
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  Further information with respect to Vegenics is provided under Review of Operations.

- research and development expenditure of $1,354,451 (2006 half-year period: $1,312,012) of which $690,237 was incurred by Vegenics on its cancer therapeutics projects; and
- an expense amount of $484,795 being the Group's share of the losses of Antisense Therapeutics Limited for the half-year ended 31 December 2007 as required under equity accounting (2006 half-year period: $449,577).

Review of Operations

Detailed below is an update on the Group's research and development activities and other aspects of its business for the half-year ended 31 December 2007. The 30 June 2007 annual report contains detailed background information relating to the Group's projects and holdings (listed and unlisted) and should be read in conjunction with this report.

VEGENICS LIMITED – CIRCADIAN'S MAIN FOCUS

Vegenics was formed in collaboration with the New York based Ludwig Institute for Cancer Research (LICR) and the commercial arm of the University of Helsinki, Licentia Limited (Licentia) in April 2006. Circadian has to the date of this report invested a total of $21.5 million into Vegenics for a 67% holding. The remaining 33% of Vegenics' shares are owned by LICR and Licentia.

Circadian's main focus now is directed towards developing and commercialising the intellectual property and technology of Vegenics Limited which is developing therapeutic agents in the field of angiogenesis. Angiogenesis, which is the process of formation of new blood vessels in the body, is precisely regulated throughout mammalian development and adult life, and the uncontrolled growth of new blood vessels is an important contributor to a number of pathologic conditions. As with almost all biologic systems, angiogenesis is a complex process that requires interaction among a variety of secreted factors, cellular receptors, activators and repressors of gene expression, and signals from local cellular environments. The VEGF family of proteins has been shown to be an important mediator of angiogenesis, and the molecule Avastin®, a humanised antibody against VEGF-A sold by Genentech Inc and Hoffman-La Roche, has been approved as an anti-cancer agent throughout the world.

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

The VEGF patent portfolio, developed by LICR and Licentia, which was assigned to Vegenics in the first half of 2007, comprises more than 250 granted patents in USA, Europe, Japan and Australia and over 400 pending patent applications worldwide in respect of the molecules VEGF-C, VEGF-D and VEGFR3. In addition to the assignment of the entire LICR/Licentia VEGF patent estate, Vegenics also gained ownership of third party licensing agreements previously entered into by LICR and Licentia with Ark Therapeutics Group plc (LSE: AKT), Imclone Systems Inc (NASDAQ: IMCL), Lymphatix Ltd and a range of international research reagent providers. Consequently, as from 2 April 2007 Vegenics is entitled to receipt of all payments which accrue under these license agreements including sales royalties, milestone payments and annual minimum royalties.

Vegenics also has a license agreement with CoGenesys Inc (based in Rockville, Maryland USA) which 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 which it exercised in June 2007. Vegenics is now undertaking ongoing studies to develop this antibody as a product candidate.

Highlights for the half-year ended 31 December 2007 include:

- On 6 November 2007 in an announcement to the London Stock Exchange, Ark Therapeutics stated that they expect to commence enrolment of patients in a Phase 3 study of Trinam® (the active component, VEGF-D gene, has been licenced from Vegenics) in the first half of 2008. Trinam® is a novel product consisting of a local delivery device and VEGF-D gene being developed to prevent the blocking of veins and arteries that frequently occurs after vascular surgery. The initial target market is haemodialysis graft access surgery, a procedure in which patients whose kidneys have failed have a plastic tube grafted between blood vessels generally in their forearm so that their blood can be regularly filtered using a dialysis machine. Trinam® has completed a Phase II trial, being the first part of the Phase II/III study. Up to 60 per cent of haemodialysis access grafts block within one year of being inserted due to de novo stenosis, so that repeat surgery must be performed. Such repeat surgery frequently fails and can only be performed a limited number of times. Alternative and more difficult routes to achieve filtration are then required. In these circumstances, the life expectancy of patients can be short.

- On 16 November 2007, Vegenics entered into a further agreement with Human Genome Sciences Inc (HGS) under which HGS granted to Vegenics an exclusive worldwide, sub-licensable licence to HGS's entire VEGF-C IP portfolio in the field of gene therapy. Vegenics has an existing agreement with CoGenesys Inc (CoGenesys was spun out of HGS) providing it with rights to intellectual property in the field of VEGF-C as described earlier.

RESEARCH PROJECTS

Whilst Vegenics is now the Group's main focus, there are a number of early stage research projects being undertaken by the Group. The two main projects are the Cancer Vaccines project and the Dicarba analogues project, both of which are being conducted with Monash University. An update on these projects is provided below.

In the cancer area work has also continued on the cancers of unknown primaries project with the Peter MacCallum Cancer Centre. However, no further activities will be undertaken with respect to the cancer diagnostics project housed in CancerProbe Pty Ltd (60% owned by Circadian) and Circadian is currently reviewing a number of options with respect to its holding in CancerProbe including the sale of its interest in that company to third parties to recoup part of the expended research costs.

The neurological projects, being for Alzheimer's disease, memory enhancement (GABA-C), analgesics and paracetamol are due for completion under their respective existing research contracts by the end of the current financial year. If the results from the work being performed on these projects are positive and taking into account market conditions, the Group will assess the possible opportunities available to dispose of these projects as the Group's focus is now on the development of Vegenics' projects/assets.

For details regarding the nature and background to the Group's research projects refer to the 30 June 2007 annual report which should be read in conjunction with this report.

Cancer Vaccines Project - Update

Project Owners: Circadian: 75%; Monash University: 25%

- Circadian committed $1.2m in research funding over two years to 30 June 2007 to demonstrate in laboratory models that the improved immune response may result in better treatment outcomes. The results of this first phase of funding were positive, having met initial agreed milestones and as a result, in December 2007, Circadian agreed to commit a further $1.8m of funding to the project for the period 1 July 2007 to 30 June 2009. These funds will enable additional work to be undertaken on developing and producing potential cancer vaccine candidates.

  Circadian's interest in this project has been increased to 75% as a result of this additional funding.

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

Dicarba Analogues Project - Update

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

- The Dicarba analogues project is a research project based on a novel technology for the development of stable peptides, with potential application across a broad range of therapeutic agents. Experimental work is in progress to demonstrate the utility of this technology in different classes of potential therapeutic peptide molecules with a focus on insulin.
- We have filed additional patents in respect of the technology via PCT mechanisms and directly into the USA.

Cancers of Unknown Primaries Project - Update

Circadian interest if option exercised: 50%; Peter MacCallum Cancer Centre: 50%

- Work is continuing on the development and testing of a new PCR-based assay platform which may be suitable for routine use in diagnostic laboratories. It is expected that assessment of samples in a prototype assay will be completed by 30 June 2008 and based on these results Circadian will assess its various commercialisation options.

LISTED TECHNOLOGY HOLDINGS

The Group has interests in listed biotechnology companies Antisense Therapeutics Limited, Metabolic Pharmaceuticals Limited, Optiscan Imaging Limited and Avexa Limited, the details of which are disclosed in Note 7 to the financial statements.

During the period under review, the Group disposed of a part of its holding in Avexa as described earlier in this report under the section headed "Results" as well as in the financial report. There were no other acquisitions or disposals by the Group of its interests in listed companies.

To obtain an update on the activities of these listed companies or to form a view on their operations and performance, the ASX announcements issued by these companies should be read in full together with information available on their respective websites. Of particular note is an announcement made by Antisense Therapeutics post period end:

Antisense Therapeutics Limited (Circadian interest: 23.6%) announcement on 11 February 2008

On Monday 11 February 2008, Antisense Therapeutics Limited announced that it had entered into an exclusive, world-wide license agreement with Teva Pharmaceutical Industries Ltd, a top 20 global pharmaceutical company, to develop and commercialise ATL1102 (ATL1102 is currently undergoing Phase IIa trials as a treatment for multiple sclerosis, the results of which are due mid-year). For details regarding this agreement refer to the announcement released by Antisense Therapeutics which can be found on www.antisense.com.au and www.asx.com.au (ASX: ANP).

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
13 February 2008

ERNST & YOUNG

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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 2007, 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

J Lonergan

Joanne Lonergan
Partner
13 February 2008

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	Consolidated 31 December 2007 $	30 June 2007 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	47,698,736	48,193,383
Receivables		504,900	313,112
Prepayments		331,678	191,649
Other financial assets		12,480	14,213
Total Current Assets		48,547,794	48,712,357
Non-Current Assets			
Financial investments	7	7,754,341	16,118,504
Investments in associates	8	1,414,555	1,755,615
Deferred tax asset		164,878	190,327
Plant and equipment		68,184	81,877
Total Non-Current Assets		9,401,958	18,146,323
TOTAL ASSETS		57,949,752	66,858,680
LIABILITIES			
Current Liabilities			
Payables		1,504,181	2,332,337
Income tax payable		-	355,497
Provisions		491,312	417,290
Total Current Liabilities		1,995,493	3,105,124
Non-Current Liabilities			
Deferred tax liability		978,498	2,759,206
Provisions		6,644	28,643
Total Non-Current Liabilities		985,142	2,787,849
TOTAL LIABILITIES		2,980,635	5,892,973
NET ASSETS		54,969,117	60,965,707
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		33,167,977	33,167,977
Retained earnings		14,722,824	15,031,677
Reserves		2,496,914	7,645,796
Parent interests		50,387,715	55,845,450
Minority interests	9	4,581,402	5,120,257
TOTAL EQUITY		54,969,117	60,965,707

INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated 31 December 2007 $	31 December 2006 $
Finance revenue		1,547,123	610,081
Investment income		2,575,377	20,909,607
Other revenue		89,768	11,250
Revenue	4	4,212,268	21,530,938
Other income		93,393	145,504
Research and development expenses		(1,354,451)	(1,312,012)
Intellectual property costs	5(a)	(113,534)	(6,631,925)
Patent expenses	5(b)	(897,997)	(867,563)
Administrative expenses		(1,770,769)	(1,539,583)
Occupancy expenses		(65,642)	(59,029)
Impairment losses		(1,733)	(86,323)
Share of net profit/(loss) of associates	8(b)	(454,056)	(367,231)
Other		-	23,827
Profit/(loss) before income tax		**(352,521)**	**10,836,603**
Income tax expense	6	(495,187)	(5,641,787)
Net profit/(loss) for the period		**(847,708)**	**5,194,816**
Attributable to:			
Minority interests		(538,855)	(3,875,743)
Members of the parent		(308,853)	9,070,559

	Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the parent:		
- basic earnings/(loss) per share	(0.77)	22.61
- diluted earnings/(loss) per share	(0.77)	22.46

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	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*	*Equity reserve – parent*	*Net unrealised gains reserve*	*Retained earnings*	*Total*		
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
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 transferred to the income statement	-	-	-	-	-	-	(7,196,931)	-	(7,196,931)	-	(7,196,931)
Realised gain on held for sale investment transferred 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**
At 1 July 2007	**33,167,977**	**734,407**	**19**	**811,855**	**907,221**	**(5,238,453)**	**10,430,747**	**15,031,677**	**55,845,450**	**5,120,257**	**60,965,707**
Net unrealised losses on non-current listed investments for the period	-	-	-	-	-	-	(3,367,872)	-	(3,367,872)	-	(3,367,872)
Realised gain on non-current listed investment transferred to the income statement	-	-	-	-	-	-	(1,807,677)	-	(1,807,677)	-	(1,807,677)
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	(5,175,549)	-	(5,175,549)	-	(5,175,549)
Profit/(loss) for the period	-	-	-	-	-	-	-	(308,853)	(308,853)	(538,855)	(847,708)
Total recognised income and expense for the period	-	-	-	-	-	-	(5,175,549)	(308,853)	(5,484,402)	(538,855)	(6,023,257)
Cost of share-based payment	-	-	-	-	26,667	-	-	-	26,667	-	26,667
At 31 December 2007	**33,167,977**	**734,407**	**19**	**811,855**	**933,888**	**(5,238,453)**	**5,255,198**	**14,722,824**	**50,387,715**	**4,581,402**	**54,969,117**

CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

		Consolidated	
	Note	**31 December 2007 $**	**31 December 2006 $**
Cash flows from operating activities:			
Proceeds from sale of investments		3,384,476	31,462,718
Interest received		1,493,883	513,237
Receipt of government grants (inclusive of GST)		35,669	82,799
Royalty and licence income received		53,757	-
Other receipts (inclusive of GST)		12,375	12,375
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(5,076,721)	(4,280,550)
Income tax paid		(380,000)	-
Net cash flows from/(used in) operating activities		(476,561)	27,790,579
Cash flows from investing activities:			
Purchase of plant and equipment		(2,298)	(46,002)
Net cash flows from/(used in) investing activities		(2,298)	(46,002)
Cash flows from financing activities:			
Payment of unfranked dividends	(i)	(5,278)	(2,560)
Return of capital to shareholders	(i)	(10,510)	(5,554)
Net cash flows from/(used in) financing activities		(15,788)	(8,114)
Net (decrease)/increase in cash and cash equivalents		(494,647)	27,736,463
Cash and cash equivalents at beginning of period		48,193,383	14,607,460
Cash and cash equivalents at end of period	10	47,698,736	42,343,923

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The financial report of Circadian Technologies Limited (the Company) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 13 February 2008.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2007 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 have been measured 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 2007 and considered together with any public announcements made by Circadian Technologies Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations of the *ASX listing rules.*

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The financial report is presented in Australian dollars.

(b) Changes in accounting policy

Since 1 July 2007, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*
- AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11 (AASB2)*
- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)*
- AASB 2007-7 *Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 & 128)*
- AASB Interpretation 10 *Interim Financial Reporting and Impairment*
- AASB Interpretation 11 *Group and Treasury Share Transactions*

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(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 2007.

Minority interests represent the portion of profit or loss and net assets in Vegenics Limited and CancerProbe Pty Ltd 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 (Ludwig) 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, Ludwig and Licentia. During the period, Circadian owned 67% of Vegenics and 60% of CancerProbe Pty Ltd.

3. SEGMENT INFORMATION

The consolidated entity operates predominantly in one industry and one geographical segment, those being the medical technology and healthcare industry and Australia respectively.

The Group aims to deliver value to its shareholders through sourcing, incubating and commercialising high quality biomedical research. The Group's activities include the management and funding of pharmaceutical research and development projects with universities and research institutes to the stage where the Group seeks collaborative and/or licensing arrangements with pharmaceutical companies or lists a project/projects in a separate entity on the Australian Stock Exchange. The Group's activities also include investment in leading edge Australian technology entities (listed and unlisted).

	Consolidated	
	31 December 2007 $	31 December 2006 $
4. REVENUE		
(a) Finance revenue		
Interest from:		
- Bank	1,533,337	596,345
- Related party – associated company	13,736	13,736
- Other unrelated persons	50	-
	1,547,123	610,081
(b) Investment income		
Net gain on sale of investments (i)	2,575,377	20,909,607
(c) Other revenue		
Royalty & licence fees	78,518	-
Other revenue items	11,250	11,250
	89,768	11,250
Total revenue	4,212,268	21,530,938

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

4. REVENUE (continued)

(b) Investment income (continued)

(i) **31 December 2007**

The net gain on sale of investments in the current period of $2,575,377 is in respect to the sale of ordinary shares in Avexa Limited. This amount comprises the following:

	Consolidated 31 December 2007 $	Consolidated 31 December 2006 $
Investment in Avexa Limited:		
Net proceeds from sale of shares	3,384,476	-
Cost of shares sold	2,442,207	-
Actual gain on sale of shares	942,269	-
Recovery of impairment losses recognised prior to 1.7.05	1,633,108	-
Net accounting gain on sale of shares	2,575,377	-

The sale relates to 5,580,000 ordinary shares in Avexa Limited, sold during the period from 13 November 2007 to 12 December 2007. The Group retains 8,087,914 shares in Avexa after the sale of the shares.

At 30 June 2005, total impairment losses of $4,411,119 (whereby the cost exceeded the market value) relating to 19,132,292 Avexa shares were recognised through profit or loss. All the shares sold during the current period relate to the parcel which recognised the impairment loss in the 30 June 2005 year. As such, the recovery of losses on the parcel of shares sold during the period amounted to $1,633,108. Also see note 7.

31 December 2006

In the prior period, the net gain on sale of investments of $20,909,607 comprised of the following:

	31 December 2007 $	31 December 2006 $
Investment in Metabolic Pharmaceuticals Limited:		
Net proceeds from sale of shares	-	8,285,760
Cost of shares sold	-	-
Net gain on sale of shares (i)	-	8,285,760
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)
Actual gain on disposal of investment	-	7,548,983
Recovery of impairment losses recognised prior to 1.7.05	-	5,074,864
Net accounting gain on disposal of investment (ii)	-	12,623,847
Total investment income	-	20,909,607

(i) The sale related to 12,000,000 ordinary shares in Metabolic Pharmaceuticals Limited, sold on 29 November 2006. The Group held 36,012,701 shares in Metabolic after the sale of the shares and at period end.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

4. REVENUE (continued)

(b) Investment income (continued)

(ii) In November 2006, 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). This resulted in the Group receiving $23,176,958 cash (representing the Group's holding of 28,264,583 shares @ 82 cents per share) plus an in-specie distribution of 4,706,763 Avexa shares (the Avexa share price on the effective day of distribution of those shares was 25 cents).

The recovery of impairment losses recognised prior to 1 July 2005 of $5,074,864 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).

	Consolidated	
	31 December 2007 $	31 December 2006 $
5. EXPENSES		
(a) Intellectual property costs	(113,534)	(6,631,925)

Vegenics and Human Genome Sciences, Inc (HGS) entered into a licensing agreement on 16 November 2007 that provides Vegenics with certain rights to intellectual property relating to VEGF-2 gene therapy. In December 2007, Vegenics paid HGS A$113,534 (US$100,000) in accordance with this agreement. Commitments relating to annual license fees under this contract are included in the amounts disclosed in note 11 *Commitments and Contingencies*.

During the prior period, the following non-recurring costs were incurred:

- 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 (Ludwig) and Licentia Limited (Licentia) – also see note 2(c). As the intellectual property provided under this agreement is/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. Upon Vegenics completing in excess of a $16 million capital raising on 2 April 2007, the intellectual property under the agreement between Vegenics, Ludwig and Licentia was assigned to Vegenics as were the licenses between Ludwig and its licensees of which Vegenics now receives/earns milestone income.
- 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 Ludwig and Licentia.

(b) Patent expenses	(897,997)	(867,563)

Patent expenses includes an amount of $795,301 (2006: $822,002) incurred by Vegenics, which includes patent costs and patent attorney fees incurred in respect of the patent families assigned to Vegenics by Ludwig and Licentia (over 35 different patent families, including over 160 granted patents and more than 500 pending patents worldwide), and patent fees relating to the license agreement with CoGenesys.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated 31 December 2007 $	Consolidated 31 December 2006 $
6. INCOME TAX		

The major components of income tax expense for the half-year ended 31 December 2007 and 31 December 2006 are:

Consolidated Income Statement

	31 December 2007 $	31 December 2006 $
Current income tax		
Current income tax charge	(58,801)	3,974,157
Adjustments in respect of current income tax of previous years	(16,073)	-
Deferred income tax		
Relating to origination and reversal of temporary differences	570,061	1,667,630
Income tax expense reported in the income statement	495,187	5,641,787

7. FINANCIAL INVESTMENTS

Details of listed shares

Listed Investments	Ownership Interest Dec 2007 %	Ownership Interest Jun 2007 %	Fair Value (i) Dec 2007 $	Fair Value (i) Jun 2007 $	Cost of Investment Dec 2007 $	Cost of Investment Jun 2007 $
Non-current investments:						
Metabolic Pharmaceuticals Ltd	12.0	12.0	1,476,521	4,501,588	10,000	10,000
Avexa Limited (ii)	2.0	3.4	4,327,034	8,610,786	3,539,849	5,982,056
Optiscan Imaging Ltd	6.1	6.2	1,950,786	3,006,130	371,131	371,131
			7,754,341	16,118,504	3,920,980	6,363,187
Associate:						
Antisense Therapeutics Ltd (iii) (note 8)	19.3	19.3	4,315,073	3,595,894	2,864,766	2,864,766
Total listed investments			12,069,414	19,714,398	6,785,746	9,227,953

Non-current investments in listed shares (which are not associates) are designated and accounted for as “available-for-sale” financial assets pursuant to AASB 139 *Financial Instruments: Recognition and Measurement.*

These non-current investments in listed shares consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

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

(ii) During the current period, the Group sold a total of 5,580,000 shares in Avexa for total net proceeds (after brokerage fees) of $3,384,476. The sale of the Avexa shares resulted in a net profit of $2,575,377. See note 4(b) for further details.

In November 2006, the Group 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(b) for further details.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

7. FINANCIAL INVESTMENTS (continued)

(iii) 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 $5,283,611 (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 2007**	**Jun 2007**	**Dec 2007**	**Jun 2007**
Listed:				
Antisense Therapeutics Ltd – Gene directed therapeutics	19.3	19.3	674,152	1,158,947
Unlisted:				
Syngene Limited – Gene diagnostics	42.38	42.38	740,403	596,668
			1,414,555	1,755,615

All associated entities were incorporated in Australia.

(b) Share of the associates' profit or loss

	Antisense Therapeutics Ltd (i)		Syngene Ltd	
	Dec 2007 $	**Dec 2006 $**	**Dec 2007 $**	**Dec 2006 $**
Revenue	42,260	51,389	10,720	14,255
Loss before income tax	(484,795)	(449,577)	(17,688)	(14,508)
Income tax benefit	-	-	48,427	96,854
Total recognised in income statement	(484,795)	(449,577)	30,739	82,346

(c) Fair value of investment in listed associate

The fair value of the Group's investment in Antisense Therapeutics Limited at period end was $4,315,073 (30 June 2007: $3,595,894). Also see note 7(iii).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	31 December 2007 $	30 June 2007 $
9. MINORITY INTERESTS		
At balance date, the minority interests in the Group comprised:		
Share of contributed equity	8,922,784	8,922,784
Share of accumulated losses	(4,341,382)	(3,802,527)
	4,581,402	5,120,257

The above balances include the minority interest (33%) in Vegenics Limited and the minority interest (40%) in CancerProbe Pty Ltd. The minority interest in Vegenics' share capital amounts to $8.64 million and the minority interest in that company's accumulated losses amounts to $4.09 million (this includes the minority interest's share of Vegenics' losses for the period of $536,283).

	Consolidated	
	31 December 2007 $	31 December 2006 $
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:		
Cash at bank and in hand	1,648,736	598,923
Short-term deposits	46,050,000	41,745,000
	47,698,736	42,343,923

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 7.11%.

	Consolidated	
	31 December 2007 $	30 June 2007 $
11. COMMITMENTS AND CONTINGENCIES		

(a) 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:

Within one year	35,057	83,557
After one year but not more than five years	-	-
	35,057	83,557

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

11. COMMITMENTS AND CONTINGENCIES (continued)

(a) Commitments (continued)

	Consolidated	
	31 December 2007 $	30 June 2007 $

Research projects and intellectual property cost commitments

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

	31 December 2007 $	30 June 2007 $
Within one year	1,747,256	1,338,559
After one year but not more than five years	997,746	332,500
After more than five years	460,246	-
	3,205,248	1,671,059

Note that one of the contractual commitments relates to a contract with a third party whereby Vegenics Limited may at 60 days notice terminate the contract without cause and in such an event would only be liable for costs accrued under that contract up to the termination date. The total included in commitments above relating to this contract (assuming no early termination) amounts to $1,150,619 (within one year: $230,123; after one year but not more than five years: $460,248; after more than five years: $460,248).

(b) Contingencies

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 $307,824 (30 June 2007: $241,434) and those which could become payable in more than one year total $150,000 (30 June 2007: $300,000).

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

12. RELATED PARTY DISCLOSURES

(i) During the period, patent costs totalling $358,232 incurred by Vegenics Limited were reimbursed to the Ludwig Institute for Cancer Research (Ludwig) for third-party patent attorney costs incurred by Ludwig in respect of the patent families as detailed in the License Agreement between Vegenics, Ludwig and Licentia (the commercial arm of the University of Helsinki). Dr Jonathan Skipper and Dr Andrew Simpson, directors of Vegenics, are executive officers of Ludwig.

(ii) A Management Services Agreement was signed in March 2007 between Circadian and Vegenics relating to the provision of management and related support services by Circadian to Vegenics. The agreement provides for $75,000 plus GST per month payable in arrears and was effective from 1 March 2007 to 30 September 2007 and was further extended to 1 January 2008. The agreement was extended subsequent to period end – see note 13.

13. EVENTS AFTER THE BALANCE SHEET DATE

The Management Services Agreement referred to in note 12(ii) was further extended effective 1 January 2008 to 30 June 2008.

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 2007 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
13 February 2008

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To the members of Circadian Technologies Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Circadian Technologies Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 2007 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 attached in the Directors' Report.

ERNST & YOUNG

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 is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

J Lonergan

Joanne Lonergan
Partner
Melbourne
13 February 2008

OTHER INFORMATION

NTA backing	Consolidated 31.12.07	30.6.07
Net tangible asset backing per ordinary security	$1.37	$1.52

Status of review of accounts

The financial report for the half-year ended 31 December 2007 has been reviewed. The review report is included with the financial report.