



9 October 2014

The Manager Companies  
Australian Securities Exchange Limited  
Company Announcements Office  
Level 4 20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

**Circadian Technologies Limited – Prospectus**

Further to our announcement on 6 October 2014 in respect of a capital raising by the company, please find attached a copy of the Prospectus lodged with ASIC today.

For and on behalf of  
Circadian Technologies Limited

A handwritten signature in black ink, appearing to be "MT", followed by a horizontal line.

Mike Tonroe  
Company Secretary



## CIRCADIAN TECHNOLOGIES LIMITED

ACN 006 340 567

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### PROSPECTUS

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This Prospectus relates to:

1. a non-renounceable rights issue of 2 New Shares for every 5 Shares held by those Eligible Shareholders registered at the Record Date at an issue price of \$0.175 per Share in order to raise approximately \$3.4 million together with 1 free New Option for every 2 New Shares applied for, exercisable at \$0.27 per New Option on or before 25 November 2018 (**Rights Issue**);
2. the offer to subscribe for New Shares and accompanying New Options in excess of an Eligible Shareholder's Entitlement (**Top-Up Facility**); and
3. the offer of 1 free New Option for every 2 New Shares applied for by investors under the Placement, exercisable at \$0.27 per New Option on or before 25 November 2018 (**Placement Offer**);
4. the offer of 1 million BP Options to Bell Potter Securities Limited, exercisable at \$0.2625 per BP Option between the first and third anniversary of the Corporate Advisory Date,

(collectively **the Offer**).

The Rights Issue is fully underwritten by Bell Potter Securities Limited. Please refer to Section 11.4 for details of the Underwriting Agreement.

#### IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as highly speculative.

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**1. CORPORATE DIRECTORY****Directors**

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

**Company Secretary**

Mike Tonroe

**Share Registry**

Computershare Investors Services Pty Limited  
Yarra Falls, 452 Johnston Street,  
Abbotsford, VIC 3067

**Registered Office**

Suite 0403, Level 4  
650 Chapel Street  
South Yarra, VIC 3141

**Solicitors**

Minter Ellison  
Level 23, 525 Collins Street,  
Melbourne, VIC 3000

**Underwriter**

Bell Potter Securities Limited  
Level 29, 101 Collins Street,  
Melbourne, VIC 3000

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## 2. LETTER FROM THE CHAIRMAN

9 October 2014

Dear Shareholder,

As Chairman of Circadian Technologies Limited ACN 006 340 567 (**Circadian**), I have great pleasure in presenting this Prospectus and offering you the opportunity to participate in this company-transforming capital raising.

Circadian was the first biotechnology company to be listed on the ASX. Originally operating as an incubator of technology, we embarked on a new path in 2007 with the acquisition of a strong intellectual property portfolio in respect of inhibitors targeting a key pathway involved in regulating blood vessel growth and vessel leakage.

As we have progressively reported to you since 2007, our efforts have focussed on determining the most value-accretive development pathway for Shareholders. We are pleased to confirm to Shareholders that we have successfully advanced our VGX-100 oncology asset to Phase 2 ready stage and have identified OPT-302 as a promising novel therapeutic for the treatment of eye disease. Both represent value-creating opportunities for Circadian Shareholders – notably through pursuing licensing/partnership opportunities for VGX-100 and advancing OPT-302 development activities to value-creating clinical milestones.

To strengthen Circadian's balance sheet and to pursue activities with a clear path to value creation for Shareholders, we were pleased to announce on 6 October 2014 a capital raising of \$17.4 million comprising of a:

1. \$14 million Placement (divided into two tranches, the issue of New Shares under Tranche 1 of the Placement will raise \$1.2 million and the issue of New Shares under Tranche 2 of the Placement will raise \$12.8 million (and which is subject to shareholder approval at the Company's upcoming annual general meeting to be held on 18 November 2014); and
2. Rights Issue to raise \$3.4 million.

This Prospectus explains the purpose and effect on Circadian of:

1. the non-renounceable rights issue of 2 New Shares for every 5 Shares held by those Eligible Shareholders registered at the Record Date at an issue price of \$0.175 per New Share in order to raise approximately \$3.4 million together with 1 free New Option for every 2 New Shares applied for, exercisable at \$0.27 per New Option on or before 25 November 2018 (**Rights Issue**); and
2. the offer of 1 free New Option for every 2 New Shares applied for by investors under the Placement announced on 6 October 2014, exercisable at \$0.27 per New Option on or before 25 November 2018 (**Placement Offer**); and
3. the offer of 1 million BP Options to Bell Potter Securities Limited, exercisable at \$0.2625 per BP Option between the first and third anniversary of the Corporate Advisory Date.

The Rights Issue includes a top-up facility under which Eligible Shareholders who take up their full entitlement are able to apply for additional New Shares and accompanying New Options in respect of Entitlements not taken up by other Shareholders under the Rights Issue (**Top-Up Facility**). The Rights Issue is fully underwritten by Bell Potter Securities.

**The Rights issue will close at 5.00pm AEDT on 31 October 2014.**

If you are an Eligible Shareholder, you may:

- take up all your Entitlement; and

- if you take up all of your Entitlement, apply for additional New Shares and accompanying New Options (above your Entitlement) under the Top-Up Facility, OR
- do nothing, in which case your Entitlement will lapse and you will not receive any benefits of participating in the Rights Issue.

(Placement Investors who are issued New Shares under the Placement will receive their New Options automatically pursuant to this Prospectus. The New Shares and New Options issued to Placement Investors will not participate in the Rights Issue (and Top-Up Facility). For further details on the purpose of the Placement Offer and the details of the New Options offered to Placement Investors, please refer to Section 12 of the Prospectus.)

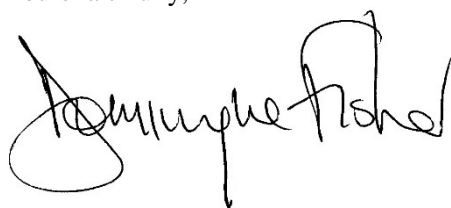
The funds raised from the Offer, which includes the Placement and Rights Issue, are expected to fund the Company through to the end of 2017 and through the completion of Phase 1 and Phase 2A clinical studies, designed to assess the safety and therapeutic efficacy of OPT-302 for the treatment of wet age-related macular degeneration (**wet AMD**). Wet AMD is the leading cause of blindness in the Western world with significant unmet medical need and large market opportunity.

OPT-302 demonstrates significant preclinical activity in a mouse model of wet AMD when used on its own, and additive activity when administered with an existing therapeutic for the disease (Eylea®). Our objective is to administer OPT-302 in combination with existing therapies, Lucentis®/Eylea®, in order to improve vision in patients that suffer from this chronic and often rapidly progressing disease that has a marked impact on the quality of life for patients. In addition to advancing our ophthalmology program, the funding will also advance business development activities to accelerate licensing opportunities for its Phase 2 ready cancer therapy, VGX-100.

Please join us at this pivotal point in the evolution of Circadian as we move forward, clear in our direction as an ophthalmology focussed drug development company, with partnership opportunities for the Company's oncology assets. As a consequence of this capital raising, we are pleased to welcome major institutional and specialist healthcare investors from Australia, the United States and Europe to our share-register who are participating in the Placement. Their support of this capital raising is validation of Circadian's technology and strategy and recognition of the potential for value creation through the advancement of OPT-302 into Phase 1 and Phase 2 clinical trials.

Please read the full details on how to submit your application, which are set out in this Prospectus. I encourage you to read this Prospectus in full and to participate in the Rights Issue.

Yours faithfully,



Dominique Fisher  
Non-Executive Chairman  
Circadian Technologies Limited

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**3. TIMETABLE FOR THE RIGHTS ISSUE**

Lodgement of Prospectus with the ASIC and ASX	9 October 2014
Notice sent to Shareholders	10 October 2014
Ex date	13 October 2014
Record Date for determining Entitlements	15 October 2014
Prospectus despatched to Shareholders & Company announces despatch has been completed	17 October 2014
Opening Date	20 October 2014
Closing Date	31 October 2014
Quotation of New Shares and accompanying New Options under the Rights Issue (on a deferred settlement basis)	3 November 2014
ASX notified of under subscriptions	6 November 2014
Issue of New Shares and accompanying New Options under the Rights Issue	10 November 2014
Lodgement of Appendix 3B	10 November 2014
Despatch of holding statements	11 November 2014

**The dates above and other dates referred to in this Prospectus (except the date of this Prospectus) are indicative only. Subject to the ASX Listing Rules and the Corporations Act, the Company with the consent of the Underwriter may extend the Closing Date by giving at least 3 Business Days notice to ASX prior to the Closing Date. As such, the date the New Shares and New Options are expected to commence trading on ASX may vary.**

For details on the timetable applicable to the New Options issued to Placement Investors and the BP Options to be issued to the Underwriter, please refer to Sections 12 and 13 of the Prospectus respectively.

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#### 4. SUMMARY OF THE KEY OFFER DETAILS AND FEATURES OF THE RIGHTS ISSUE

##### 4.1 Key Offer details

Offer price	\$0.175 per New Share payable in full on acceptance
Shares currently on issue	48,633,015
Eligible Shareholders' Entitlement	2 New Shares for every 5 Shares held on the Record Date and 1 free New Option for every 2 New Shares applied for
Maximum amount to be raised under the Rights Issue (before costs)	Approximately \$3.4 million
Number of New Shares to be issued under the Rights Issue	19,453,206
Number of New Options to be issued under the Rights Issue	9,726,603
Total number of Shares on issue post the Rights Issue*	68,086,221
Number of New Options on issue post the Rights Issue (excluding the BP Options which are unquoted options)*	9,726,603

\* Assuming none of the New Options issued under the Rights Issue are exercised and none of the New Shares and New Options under the Placement are issued.

As announced on 6 October 2014, the Company proposes to conduct a Placement to raise approximately \$14 million. The proposed Placement will be conducted in two tranches:

- Tranche 1 – 6,857,143 New Shares (\$1.2 million) to be issued to a European specialist healthcare fund under the Company's 15% placement capacity in accordance with ASX Listing Rule 7.1 (**Tranche 1**); and
- Tranche 2 – 73,142,857 New Shares (\$12.8 million) to be issued subject to Shareholder approval at Circadian's forthcoming annual general meeting to be held on 18 November 2014 (**Tranche 2**).

Under the Placement, New Shares will be issued at \$0.175 per New Share, together with 1 free accompanying New Option for every 2 New Shares subscribed for under the Placement, exercisable at \$0.27 per New Option on or before 25 November 2018.

The New Shares under Tranche 1 of the Placement will be issued on or about 20 October 2014. The New Options under Tranche 1 of the Placement and the New Shares and accompanying New Options under Tranche 2 of the Placement will (subject to receipt of Shareholder approval) be issued on or about 25 November 2014.



If the Placement is successful, the maximum number of New Shares issued under the Placement will be 80,000,000 and the maximum number of accompanying New Options will be 40,000,000. The maximum number of New Shares and New Options on issue post the Rights Issue, Placement and Placement Offer (assuming none of the New Options are exercised), will be as follows:

Number of New Shares on issue post the Rights Issue and the Placement*	99,453,206
Number of New Options on issue post the Rights Issue and the Placement Offer (excluding the BP Options which are unquoted options)	49,726,603

\* Assuming none of the New Options issued under the Rights Issue and Placement are exercised.

#### **4.2 Fully underwritten non-renounceable pro-rata Rights Issue**

A fully underwritten non-renounceable pro-rata rights issue to Eligible Shareholders of 2 New Shares for every 5 Shares held at the Record Date, at an issue price of \$0.175 per New Share.

Each Eligible Shareholder will receive 1 free New Option for every 2 New Shares applied for, exercisable at \$0.27 per New Option on or before 25 November 2018.

Under the Rights Issue, up to 19,453,206 New Shares and 9,726,603 New Options will be offered.

The Rights Issue will raise approximately \$3.4 million before costs.

#### **4.3 Underwriter of the Rights Issue**

The underwriter is Bell Potter Securities Limited.

#### **4.4 Purpose of the Rights Issue**

The purpose of the Rights Issue is to raise approximately \$3.4 million (before costs). Together with \$1.2 million raised through Tranche 1 of the Placement, a total of \$4.6 million will be used to fund the Company to the end of the first quarter of 2016. Proceeds will be used to progress OPT-302 through to the end of a Phase 1 clinical trial in wet AMD patients and to advance business development activities to accelerate licensing opportunities for VGX-100. For details of the purpose of the Placement Offer, refer to Section 12.

## 4.5 Use of funds of the Rights Issue

The Company's present intention is to use the funds raised under the Rights Issue as follows (further details are provided in Section 7 of this Prospectus):

Proceeds of the Rights Issue	Full subscription (\$M)
<b>Research &amp; development:</b>	
Manufacturing OPT-302 drug product	\$0.8
Preclinical toxicology studies and supporting costs	\$1.4
Phase 1 clinical study in wet AMD patients	\$2.0
<b>Business development:</b>	
VGX-100 business development activities	\$0.2
Expenses of the Rights Issue*	\$0.2
Total capital raised through Rights Issue	\$3.4
Total capital raised through Placement Tranche 1	\$1.2
<b>Total capital: Rights Issue &amp; Placement Tranche 1</b>	<b>\$4.6</b>

\*Refer to Section 11.8 of this Prospectus for further details relating to the estimated expenses of the Rights Issue. Note: Existing Company cash and receivables will be used to cover working capital requirements.

As the Rights Issue is fully underwritten, the minimum amount sought to be raised by the Rights Issue is \$3.4 million. Please see Section 11.4 of this Prospectus in relation to the circumstances under which the Underwriting Agreement may be terminated.

Subject to receipt of Shareholder approval at the Company's annual general meeting to be held on 18 November 2014, upon the successful completion of Tranche 2 of the Placement, the Company will raise a further \$12.8 million (before costs). As set out in the table above, \$1.2 million will be raised from the issue of New Shares under Tranche 1 of the Placement, which is not subject to Shareholder approval. For details on the proposed use of funds raised under the Placement, refer to Section 12.

## 4.6 Closing Date

The Rights Issue closes at 5.00pm AEDT on 31 October 2014.

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## 5. IMPORTANT NOTES

This Prospectus is dated 9 October 2014 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than the expiry date of 9 November 2015.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice in relation to its content where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

A personalised Entitlement and Acceptance Form accompanies this Prospectus. Applications for Securities offered under the Rights Issue pursuant to this Prospectus can only be submitted by you using an original Entitlement and Acceptance Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with sections 711, 713, 715A and 716 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

### 5.1 Important information for New Zealand investors

The offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001 (Cth) (“**Regulations**”). In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations set out how the Offer must be made.

There are differences in how securities (including the New Shares and the New Options) are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors investing in Australian securities may differ from the rights, remedies and compensation arrangements relating to investments in New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The issue price of New Shares and exercise price of New Options is set in Australian currency. The Offer may involve a currency exchange risk. The currency for the New Shares (and accompanying New Options) is not in New Zealand dollars. The value of the New Shares and

New Options will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant.

Dividends and any other amounts paid on the New Shares will be paid by the Company in a currency that is not in New Zealand dollars. Accordingly, you may incur significant fees in having the funds credited to a bank account in New Zealand, in New Zealand dollars.

If you wish to trade the New Shares and New Options through the financial market conducted by the ASX, you will have to make arrangements for a participant in that market to sell the New Shares and New Options on your behalf. The way in which the financial market conducted by the ASX operates, the regulation of participants in that market, and the information available to you about the New Shares and New Options and trading may differ from securities markets that operate in New Zealand.

A copy of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the New Zealand Companies Office under the mutual recognition regime.

While the Offer is being extended to New Zealand investors under the mutual recognition regime, no application for listing and quotation is being made to NZX Limited.

## **5.2 Overseas Shareholders**

This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the New Shares, New Options or the Offer or otherwise to permit an offering of the New Shares or New Options in any jurisdiction outside Australia or New Zealand.

In particular, this Prospectus and anything contained in it does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any "US Persons" (as defined in Regulation S under the US Securities Act of 1933, as amended (**Securities Act**) (**US Persons**)). None of this Prospectus, the Entitlement and Acceptance Form, the Chairman's letter, the ASX announcements in respect of the Offer and the investor presentation in respect of the Offer may be distributed or released in the United States. The New Shares and New Options have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The New Shares and New Options may not be offered, or sold, or resold, in the United States or to, or for the account or benefit of, any US Persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States. The New Shares and New Options may not be deposited in any existing unrestricted American Depository Receipt Facility or such future program with respect to the securities of the Company that has been or may be established until 40 days following the completion of the Offer.

It is not practicable for the Company to comply with the securities laws of other overseas jurisdictions, having regard to the number of Ineligible Shareholders, the number and value of the Securities these Ineligible Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Rights Issue is not being extended to, and the New Shares and accompanying New Options under the Rights Issue will not be issued to, Ineligible Shareholders.

In this regard, approximately 2,304,402 New Shares and 1,152,201 accompanying New Options will not be offered to Ineligible Shareholders under the Rights Issue.

The Company will appoint a nominee for Ineligible Shareholders to arrange for the sale of the New Shares (and accompanying New Options), which would have been available for Ineligible Shareholders had they been eligible to participate in the Offer. The nominee will distribute any proceeds of sale (above the issue price and net of expenses) proportionately to Ineligible Shareholders.

Shareholders should note that the nominee is not acting as agent for Shareholders (including Ineligible Shareholders) and manages the sale process at the request of the Company only. The nominee owes no duties (fiduciary or otherwise) to Shareholders (including Ineligible Shareholders) and will have absolute and sole discretion, taking into account market conditions, to determine the timing and the price at which the New Shares (and accompanying New Options) may be sold, to whom and the matter of any such sale. If, in the reasonable opinion of the nominee, a sale price in excess of the issue price cannot be obtained in respect of the New Shares (and accompanying New Options) which would have been available for Ineligible Shareholders had they been eligible to participate in the Rights Issue, the Underwriter has agreed pursuant to the terms of the Underwriting Agreement to take up those New Shares (and accompanying New Options) for the issue price.

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Rights Issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

### **5.3 Risk factors**

You should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which you should be aware are set out in Section 10 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. You should consider consulting your professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## **6. DETAILS OF THE RIGHTS ISSUE**

### **6.1 The Rights Issue**

The Rights Issue is being made as a non-renounceable rights issue of 2 New Shares for every 5 Shares held by those Eligible Shareholders registered at 7.00pm AEDT on the Record Date at an issue price of \$0.175 per Share in order to raise approximately \$3.4 million together with 1 free New Option for every 2 New Shares issued, exercisable at \$0.27 per Option on or before 25 November 2018.

A maximum of 19,453,206 New Shares and 9,726,603 free New Options will be issued pursuant to the Rights Issue in order to raise approximately \$3.4 million before the costs of the Rights Issue. The Rights Issue is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement under the Rights Issue.

The Rights Issue is fully underwritten by Bell Potter Securities Limited.

Under the Rights Issue, Eligible Shareholders may apply on their personalised Entitlement and Acceptance Form for:

- (a) all, or part, of their Entitlement; and
- (b) if the Eligible Shareholder has taken up all of their Entitlement, for additional New Shares and accompanying New Options under the Top-Up Facility, limited only by the 20% voting power threshold in section 606 of the Corporations Act and the available number of Top-Up Securities.

If Applications from Eligible Shareholders under the Top-Up Facility exceed the number of Top-Up Securities available, those Applications will be scaled back pro-rata in proportion to each Applicant's shareholding as at the Record Date.

There can be no certainty that there will be a Top-Up Facility or that Eligible Shareholders will receive the number of additional New Shares, together with the additional accompanying New Options, applied for under the Top-Up Facility. If there is no Top-Up Facility or if Applications from Eligible Shareholders under the Top-Up Facility exceed the number of Top-Up Securities available and there is a pro-rata scale back, any overpaid Application Monies relating to the Top-Up Securities applied for will be returned to the relevant Applicants as soon as practicable following the Closing Date, without interest and only where the amount refundable to an Applicant is \$1.00 or greater.

The balance of New Shares and accompanying New Options (if any) that are not taken up under the Rights Issue, including under the Top-Up Facility, will flow through to the Underwriter.

All of the New Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 9.1 for further information regarding the rights and liabilities attaching to the New Shares.

Terms and conditions of the free New Options are set out in Sections 9.2 and 13. The Company will apply for Official Quotation of the New Options on completion of the Rights Issue. However, the Company cannot guarantee that ASX will grant Official Quotation of the New Options.

The purpose of the Rights Issue and the intended use of funds raised are set out in Section 7 of this Prospectus. Please note that if the Placement is successful, additional funds will be raised (refer to Section 12 for details on the intended use of funds raised under the Placement).

The Entitlement of each Eligible Shareholder under the Rights Issue is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus.

## 6.2 Minimum subscription

As the Rights Issue is being fully underwritten, the minimum subscription in respect of the Rights Issue is approximately \$3.4 million. No Securities will be allotted or issued until the minimum subscription has been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application Monies to those Eligible Shareholders who have accepted the Rights Issue by taking up (wholly or in part) their Entitlement or issue a supplementary prospectus or replacement prospectus and allow Eligible Shareholders one month to withdraw their Application and be repaid their Application Monies

## 6.3 How to accept the Rights Issue

Your acceptance of the Rights Issue must be made using the personalised Entitlement and Acceptance Form accompanying this Prospectus.

You may participate in the Rights Issue as follows:

- (a) if you wish to accept your **full** Entitlement:
  - (i) complete the Entitlement and Acceptance Form; and
  - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:
  - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate Application Monies (at \$0.175 per New Share);
- (c) if you wish to participate in the Top-Up Facility and have accepted your full Entitlement in accordance with paragraph (a), and wish to apply for **more** than your Entitlement:
  - (i) fill in the number of additional New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.175 per additional New Share); or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

## 6.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to “**Circadian – Subscription Account**” and crossed “Not Negotiable”.

Your completed Entitlement and Acceptance Form and cheque must reach the Company’s share registry no later than 5.00pm (AEDT) on the Closing Date as follows:

**Hand Delivery:**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, VIC 3067, Australia

**Mailing Address:**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, VIC 3067,, Australia

**6.5 Payment by BPAY®**

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares (and accompanying New Options) which is covered in full by your Application Monies.

**It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5.00pm (AEDT) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.** Any Application Monies received for more than your final allocation of New Shares (only where the amount is \$1.00 or greater per Applicant) will be refunded. No interest will be paid on any Application Monies received or refunded.

**6.6 Underwriting of the Rights Issue**

The Rights Issue is fully underwritten by Bell Potter Securities Limited.

For details of the Underwriting Agreement (including the fees (costs and disbursements) paid to the Underwriter), please refer to Section 11.4.

**6.7 Top-Up Facility**

The Offer will include a Top-Up Facility as described in Section 6.1 above.

**6.8 ASX quotation**

An application has been made to ASX for the Official Quotation of the Securities issued pursuant to this Prospectus. If ASX does not grant Official Quotation of the New Shares issued pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest. For the avoidance of doubt, this may mean that you receive New Shares which are quoted and unquoted New Options.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities offered for subscription under this Prospectus.



## **6.9 Allotment**

Securities issued pursuant to the Rights Issue are expected to be allotted in accordance with the ASX Listing Rules and timetable set out in Section 3 of this Prospectus (subject to ASX granting permission for Official Quotation of the Securities). The Company does not guarantee the Official Quotation of the New Options.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Shareholder waives the right to claim interest.

Holding statements for Securities issued under the Rights Issue will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares or New Options. Shareholders who sell New Shares or New Options before they receive their holding statement do so at their own risk.

## **6.10 Enquiries**

Any questions concerning the Rights Issue should be directed to Megan Baldwin on +61 3 9826 0399.

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## 7. PURPOSE OF THE RIGHTS ISSUE AND USE OF FUNDS

### 7.1 Purpose of the Rights Issue

The purpose of the Rights Issue is to raise approximately \$3.4 million. Together with \$1.2 million raised in Tranche 1 of the Placement (see Section 12), a total of \$4.6 million will be used to fund the Company to the end of the first quarter of 2016. Proceeds will be used to accelerate the development of OPT-302 and specifically to:

- Scale-up and manufacture OPT-302 drug product for use in Phase 1 and 2A clinical studies;
- Complete requisite preclinical safety/toxicology studies to support IND filing to the FDA for initiation of clinical studies at US sites;
- Conduct a Phase 1 dose escalation clinical trial of OPT-302 in combination with Lucentis®. A cohort of patients that will receive OPT-302 as a monotherapy will be enrolled concurrently with the enrolment of the highest dose combination level;
- Complete data analysis of the Phase 1 clinical program for VGX-100 in solid tumours;
- Advance business development activities to accelerate licensing opportunities for VGX-100; and
- Improve Circadian's balance sheet to provide a strong position for partnering opportunities.

### 7.2 Use of funds

The Company's present intention is to use the funds raised from the Rights Issue (and Tranche 1 of the Placement) in accordance with the table set out below:

Proceeds of the Rights Issue	Full Subscription (\$million)
<b>Research &amp; Development:</b>	
Manufacturing OPT-302	\$0.8
Preclinical toxicology studies and supporting costs	\$1.4
Phase 1 clinical study in wet AMD patients	\$2.0
<b>Business Development:</b>	
VGX-100 business development activities	\$0.2
Expenses of the Rights Issue*	\$0.2
Total capital raised through Rights Issue	\$3.4
Total capital raised through Placement Tranche 1	\$1.2
<b>Total capital: Rights Issue &amp; Placement Tranche 1</b>	<b>\$4.6</b>

\*Refer to Section 11.8 of this Prospectus for further details relating to the estimated expenses of the Rights Issue.  
Note: Existing Company cash and receivables will be used to cover working capital requirements.

The above table is a statement of current intentions of the Company as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

Any monies raised upon the exercise of New Options issued under the Rights Issue will be used for general working capital.

In addition, if Tranche 2 of the Placement (including the Placement Offer) is successfully completed, the Company will raise a further \$12.8 million (before costs). Refer to Section 12 for further details.

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## **8. EFFECT OF THE RIGHTS ISSUE ON THE COMPANY**

### **8.1 Effect of the Rights Issue**

The Rights Issue will have an effect on the capital structure and financial position of the Company.

The principal effect of the Rights Issue, assuming all Entitlements are taken up will be to:

- (a) increase the Company's cash reserves by approximately \$3.2 million (after deducting the estimated expenses of the Rights Issue) immediately after completion of the Rights Issue; and
- (b) increase the number of Shares on issue from 48,633,015 as at the date of this Prospectus to 68,086,221 Shares and result in the issue of 9,726,603 New Options.

For details of the effect of the Placement Offer, refer to Section 12 of the Prospectus.

### **8.2 Details of substantial holders**

Based on publicly available information as at 1 October 2014, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue in the Company (on an undiluted basis) are set out below:

Shareholder	Shares	%
Packer and Co Limited	7,868,340	16.18%
Licentia Limited	3,150,340	6.48%
Ludwig Institute for Cancer Research	3,122,090	6.42%

If all Entitlements are taken up, there will be no change to the current substantial holders on completion of the Rights Issue. However, the shareholdings of these substantial holders will be diluted upon the successful completion of the Placement and Placement Offer unless they subscribe for additional Securities under the Placement and Placement Offer.

If you do not take up your Entitlement under the Rights Issue, your current shareholding will be diluted as at the completion of the Rights Issue. In addition, your shareholdings will be further diluted upon the successful completion of the Placement. Ineligible Shareholders will have their holdings diluted by the Rights Issue, Placement and Placement Offer.

### **8.3 Impact on control of the Company**

Under the terms of the Underwriting Agreement, Bell Potter Securities Limited has agreed to fully underwrite the Rights Issue (including the Top-Up Facility if it is not fully subscribed for). Further details of the underwriting arrangements are set out in Section 11.4 of this Prospectus.

The Underwriter currently does not hold any Shares in the Company. The Underwriter may increase its voting power in the Company as a result of the underwriting arrangements. The extent of any such increase will depend on the amount of any Top-Up and the level of participation by other Eligible Shareholders who have accepted their Entitlement in full in the Top-Up Facility.

### **8.4 Pro-forma balance sheet**

The balance sheet as at 30 June 2014 and the unaudited pro-forma balance sheet shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position following completion of the Offer.

The pro-forma balance sheet has been prepared assuming all Entitlements are taken up, the Placement and Placement Offer are successfully completed (and including expenses of the Rights Issue, Placement and Placement Offer) and excludes the New Options to be issued under the Rights Issue and Placement and the BP Options to be issued to the Underwriter.

The pro-forma balance sheet has been prepared to provide you with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

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**Circadian Technologies Limited**  
**Consolidated Pro-Forma Balance Sheet\***

Notes:	1	2	3	4
	Actual	Actual (excl Syngene)	Pro-forma adjustments	Pro-forma
All in A\$millions	30-Jun-14	30-Jun-14		30-Nov-14
Cash and cash equivalents	7.2	6.8	11.7	18.5
Tax receivable - R&D tax credit	2.3	2.2	1.2	3.4
Receivables	0.5	0.5	(0.2)	0.3
	10.0	9.5	12.7	22.2
Available for sale financial assets	2.3	1.7	-	1.7
Plant and equipment	0.1	0.1	(0.1)	-
	2.4	1.8	(0.1)	1.7
Payables	1.6	1.5	0.2	1.7
Provisions and other liabilities	0.3	0.3	-	0.3
	1.9	1.8	0.2	2.0
<b>Net assets</b>	<b>10.5</b>	<b>9.5</b>	<b>12.4</b>	<b>21.9</b>
<b>Equity</b>	<b>10.5</b>	<b>9.5</b>	<b>12.4</b>	<b>21.9</b>

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\* The balance sheet set out above does not include any monies received upon exercise of New Options or BP Options.

Notes:	
1	Actual balance sheet based on the consolidated statement of financial position in the 2014 Annual Report
2	Statement of financial position excluding Syngene (52% subsidiary)
3	<div style="text-align: right;">\$million</div> Pro-forma adjustments include the following: <div style="margin-left: 20px;"> Proceeds from the Rights Issue 3.4  Proceeds from the Placement (Tranche 1) 1.2  Proceeds from the Placement (Tranche 2) 12.8  Capital raising fees and costs <u>(1.2)</u>    Increase in net assets arising from the Offer 16.2    Less: Working capital movement from 1 July 2014 to 30 November 2014 <u>(3.8)</u>    Pro-forma increase in net assets <u><b>12.4</b></u> </div>
4	Pro-forma consolidated balance sheet excluding Syngene

## 8.5 Effect on capital structure

The effect of the Rights Issue on the capital structure of the Company, assuming all Entitlements are taken up, is set out below.

### Shares

	Number
Shares currently on issue	48,633,015
New Shares offered pursuant to the Rights Issue	19,453,206
<b>Total number of Shares on issue after completion of the Rights Issue</b>	<b>68,086,221</b>

### Options

	Number
New Options offered pursuant to the Rights Issue	9,726,603
<b>Total number of New Options on issue after completion of the Rights Issue (excluding the BP Options which are unquoted options)</b>	<b>9,726,603</b>

**The securities listed above excludes existing and proposed securities issued to employees and Directors of Circadian pursuant to various Circadian employee and Director share and option schemes. The aggregate of such securities issued (or to be issued) will not exceed 5%**

of the issued share capital of the Company as at the date of the relevant issue of those securities.

In addition, if the Placement is successfully completed, the Company will issue up to an additional 80,000,000 New Shares and 40,000,000 accompanying New Options. Refer to Section 12 for details of the Placement and Placement Offer on the capital structure of the Company.

The Company also proposes to issue 1 million BP Options to the Underwriter on the terms and conditions set out in Section 13.

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## **9. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES**

### **9.1 New Shares**

The New Shares to be issued pursuant to this Prospectus and Shares issued on exercise of the New Options and BP Options, are ordinary shares and will, as from their allotment, rank equally in all respects with all existing Shares. The New Shares will be governed by the Corporations Act, the ASX Listing Rules and the Constitution of the Company. The following is a summary of the more significant rights and liabilities attaching to the New Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to New Shares (and Shares issued on exercise of the New Options and BP Options) are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **General meetings and notices**

Each Shareholder will be entitled to receive notice of general meetings of the Company.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a Shareholder who is a body corporate) to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

Each Shareholder will be entitled to receive all notices, accounts and other documents required to be sent to Shareholders in accordance with the Constitution, the ASX Listing Rules and the Corporations Act.

#### **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative (in the case of a Shareholder who is a body corporate);
- (b) on a show of hands, every Shareholder present in person, or by proxy, attorney or representative has one vote; and
- (c) on a poll, every Shareholder present in person, or by proxy, attorney or representative has one vote for each Share held and a fraction of a vote for each partly paid Share equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) on the Share.

In the case of an equality of votes, the Chairman does not have a casting vote in addition to the Chairman's deliberative vote (if any).

#### **Dividend rights**

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may from time to time pay dividends as the Directors so resolve out of the profits of the Company. All dividends must be paid proportionately to the amounts paid (not credited) on the Shares during any portion or portions of the period in respect of which the dividend is paid.

No dividend shall carry interest as against the Company.



## **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the assets of the Company, and may for that purpose, set such value as the liquidator considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

## **Shareholder liability**

As the New Shares issued will be fully paid ordinary shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

## **Transfer of shares**

Generally, Shares in the Company are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act. The Directors may decline to register any transfer of Shares or apply a holding lock to prevent a transfer, but only where permitted to do so by the ASX Listing Rules, the ASX Settlement Operating Rules or under the Constitution.

## **Future increase in capital**

The Directors may issue shares or options to any person on such terms as the Directors determine, subject to the Corporations Act, ASX Listing Rules and the Constitution, and without prejudice to any special rights of the holders of existing securities or class of securities.

## **Variation of rights**

Subject to the Corporations Act, where shares of different classes are on issue, the rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of those shares of that class, or with the written consent of the holders of at least 75% of the issued shares in that class.

At present, the Company only has ordinary shares on issue.

## **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

## **Buy Backs**

Subject to applicable laws, in particular the Corporations Act and the ASX Listing Rules, the Company may buy back Shares on such terms and conditions as the Board may determine from time to time.

## **9.2 New Options**

The New Options issued pursuant to this Prospectus will be issued on the terms and conditions as set out in Section 13.

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## **10. RISK FACTORS**

**The Securities offered under this Prospectus are considered highly speculative.**

An investment in the Company is not risk free and the Directors strongly recommend that you to consider the risk factors described below that could affect the financial performance of the Company and the market price of the Securities, together with information contained elsewhere in this Prospectus, and to consult their professional advisers before you decide whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **10.1 Company specific**

#### **(a) Potential for significant dilution**

Upon completion of the Rights Issue, assuming all Entitlements are taken up, the number of Shares in the Company will increase from 48,633,015 currently on issue to 68,086,221 and 9,726,603 accompanying New Options will be issued. In addition, if the Placement is successfully completed, a further 80,000,000 New Shares will be issued and 40,000,000 New Options. Subject to execution of the corporate advisory agreement with the Underwriter, 1 million BP Options will also be issued. This means that each existing Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Security will be following the completion of the Offer and the Directors do not make any representation as to such matters.

The last trading price of the securities on ASX prior to the Prospectus being lodged is not a reliable indicator as to the potential trading price of the Securities after implementation of the Offer.

#### **(b) Research and development Activities**

OPT-302 is in preclinical development and product commercialisation resulting in product sales and revenues are likely to be years away. OPT-302 requires significant additional development, including manufacturing scale-up to produce material for clinical use, preclinical safety/toxicology testing, clinical evaluation of safety and efficacy in clinical trials and regulatory approval prior to the initiation of clinical studies.

#### **(c) Manufacturing**

Scale-up of OPT-302 manufacture to support clinical studies is underway but not complete. As such, there is a risk that scale-up may present technical difficulties. Such technical difficulties could include the inability to generate material that meets regulatory specifications for human administration or the product yield from manufacturing batches may be insufficient to conduct the clinical studies as currently planned.

(d) **Preclinical safety/toxicology testing**

OPT-302 is yet to complete requisite preclinical safety/toxicology studies to support IND filing to the FDA for initiation of clinical studies at US sites. There is a risk that OPT-302 does not demonstrate an acceptable safety profile in preclinical studies to support initiation of clinical studies or that the toxicology program is not sufficient to support Phase I clinical trial initiation.

(e) **Regulatory approval**

Circadian may not obtain regulatory approvals required to initiate clinical studies under an IND and clinical start may be delayed if the FDA requests additional studies be conducted in addition to those that are currently planned.

(f) **Clinical development**

OPT-302 may fail to demonstrate a safety profile or sufficient evidence of therapeutic efficacy in Phase 1 or 2A clinical studies to support its ongoing clinical development. In addition, the ability to recruit wet AMD patients into the Phase 1 and Phase 2A clinical studies may not occur at a sufficient rate to maintain program timelines.

(g) **Partnerships and other deals**

There can be no assurance that licensing or partnership opportunities for Circadian's development programs, which may include OPT-302 and/or VGX-100 can be concluded on terms that are believed by the Directors to be commercially acceptable.

(h) **Competition**

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Circadian's products may compete with existing alternative treatments that are already available to customers. In addition, a number of companies, both in Australia and internationally, are pursuing the development of products that target wet AMD and cancer. Some of these companies may have, or may develop, technologies superior to Circadian's own technology. Some competitors of Circadian may have substantially greater financial, technical and human resources than Circadian does.

## **10.2 Industry specific**

(a) **Future capital requirements**

The Company's activities will require substantial expenditures. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing, if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

If additional funds are raised by issuing securities, this may result in additional dilution to the Shareholders. The pricing of future security issues will also depend on the

results of the Company's scientific research projects, market factors, demand for securities and the need for capital. If the Company is unable to secure funding in the short term, there is a risk that the Company will not be able to continue operating.

**(b) Intellectual property**

Securing rights in technology and patents is an integral part of securing potential product value in the outcomes of biotechnology research and development. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes.

Circadian's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of biotechnology companies can be highly uncertain and frequently involve complex legal and factual questions, neither the breadth of claims allowed in biotechnology patents nor their enforceability can be predicted. There can be no assurance that any patents which Circadian may own, access or control will afford Circadian commercially significant protection of its technology or its products or have commercial application, or that access to these patents will mean that Circadian will be free to commercialise its drug candidates.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid Circadian's patented technology. Patenting strategies do not cover all countries which may lead to generic competition arising in those markets.

**(c) Joint venture parties, agents and contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

**(d) Reliance on key personnel**

The Company is reliant on key personnel employed or engaged by the Company. Loss of such personnel may have a material adverse impact on the performance of the Company. In addition, the recruiting of qualified personnel is critical to the Company's success. As the Company's business grows, it may require additional key financial, administrative, investor and public relations personnel as well as additional staff for operations. While the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

**(e) Insurance and uninsured risks**

Although Circadian maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons.

**(f) Official Quotation of the New Options is refused**

The Company has applied for Official Quotation of the New Options to be issued under the Rights Issue and the Placement. Whilst the Company does not have any reason to believe that ASX would refuse its application for the New Options to be quoted on the official list of ASX, the Company is unable to guarantee that ASX will

grant Official Quotation of the New Options. The decision to grant or refuse Official Quotation of the New Options is at the absolute discretion of ASX.

If the New Options do not receive Official Quotation, the New Options are likely to be less liquid than the Company Shares. Optionholders would have to seek a buyer for the New Options themselves, most likely from amongst other Optionholders, as there is no ready market for Optionholders to trade in their New Options. In addition, Optionholders who wish to sell their New Options may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists for the unquoted New Options.

(g) **Other risks**

Other risks factors include those normally found in conducting business, including litigation through breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, loss of service of key management or operational personnel and other matters that may interfere with the Company's business.

### 10.3 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of Circadian's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. The market price of a publicly traded stock is affected by many variables not all of which are directly related to the success of Circadian. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance or underlying asset values of such companies. There can be no assurance that such fluctuations will not affect the price of Circadian's Securities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Liquidity risk**

There may be relatively few buyers or sellers on ASX at any given time. This may affect the volatility of the market price of the securities and the prevailing market price at which Shareholders are able to sell their Securities. This may result in Shareholders receiving a market price for their Securities that is less or more than the price paid under the Offer.

(d) **Economic risks**

General economic conditions in Australia and internationally, movements in interest, inflation and currency exchange rates, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws and changes to dividend imputation in Australia may have an adverse effect on the Company's development and future scientific research activities, as well as on its ability to fund those activities.

(e) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to future profitability or the payment of dividends or franking credits attaching to dividends can be given by the Company as these elements are dependent on the success of the Company's development programs.

(f) **Taxation**

The acquisition and disposal of Securities will have tax consequences, which will differ depending on your individual financial affairs. You are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

(g) **Forward-looking statements**

Any forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance and achievements to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statement. Factors that could cause these differences include the risk factors set out in this investment.

## **10.4 Speculative investment**

You should not consider the above list of risk factors as an exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

You should consider that the investment in the Company is highly speculative and should consult your professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## **11. ADDITIONAL INFORMATION**

### **11.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **11.2 Continuous disclosure obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus” issued under section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to securities in a class which has been continuously quoted by ASX at all times during the 12 months before the date of the Prospectus, or options to acquire such securities. Apart from prescribed matters, in general terms a “transaction specific prospectus” is only required to contain information in relation to the terms and conditions of the offer, the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. You should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the financial market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the annual financial report most recently lodged by the Company with ASIC;
  - (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC; and

- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours or obtained from or inspected at an ASIC office.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below.

Date	Description of Announcement
1 October 2014	Trading Halt
1 October 2014	Request for Trading Halt
6 October 2014	Circadian to Raise \$17.4 Million
6 October 2014	CIR Appendix 3B
6 October 2014	Circadian Investor Presentation

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

### 11.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its existing Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the shares on ASX during the three calendar months immediately preceding the date of lodgement of this Prospectus are as follows:

#### Shares

3 month high	\$0.21	23 September 2014
3 month low	\$0.17	9 September 2014
Last	\$0.19	8 October 2014

### 11.4 Underwriting Agreement

On the basis of an underwriting agreement entered into between the Company and the Underwriter (**Underwriting Agreement**), the Underwriter has agreed to fully underwrite the Rights Issue (being the issue of up to 19,453,206 New Shares and 9,726,603 free New Options) by subscribing for any Shortfall Securities. The amount underwritten by the Underwriter is approximately \$3.4 million. The Underwriter may (at its own cost) in its absolute discretion appoint sub-underwriters to sub-underwrite the Rights Issue.

Pursuant to the Underwriting Agreement, the Company appoints the Underwriter as the sole and exclusive:



- (a) lead manager of the Placement and the Rights Issue;
- (b) bookrunner of the Placement; and
- (c) underwriter of the Rights Issue.

#### ***Fees and expenses***

For these services, the Underwriter is entitled to receive the following fees:

- (a) a management fee equal to 2.5% of the proceeds of the Rights Issue and the proceeds from the Placement respectively;
- (b) a selling fee equal to 3.5% of the proceeds of the Placement;
- (c) an underwriting fee equal to 3.5% of the proceeds from the Rights Issue; and
- (d) an offer options exercise fee of 6% of the gross value of exercise proceeds on each New Option which is subsequently exercised.

The Company is also required to pay for the Underwriter's legal fees and disbursements, travel, accommodation and incidental expenses in relation to the Placement and Rights Issue.

#### ***Indemnities***

Under the Underwriting Agreement, the Company has agreed to indemnify the Underwriter (and its affiliates and related bodies corporate) and the directors, officers, employees, partners, contractors, agents and representatives of the Underwriter and (and its affiliates and related bodies corporate) (**Indemnified Parties**) against all losses directly or indirectly suffered by, or claims made against, an Indemnified Party arising out of or in connection with the Rights Issue and Placement or this agreement.

The indemnity does not apply to any losses suffered by, or claims made against, an Indemnified Party to the extent that those losses or claims are finally and conclusively determined by a judgment of a court of competent jurisdiction to incurred as a result of:

- (a) having directly resulted from the fraud, wilful misconduct or gross negligence of, or breach of this agreement or any applicable law by, an Indemnified Party claiming the benefit of the indemnity; or
- (b) resulting from any amount in respect of which this indemnity would be illegal, void or unenforceable under any applicable law.

#### ***Termination events***

The obligation of the Underwriter to underwrite the Rights Issue is subject to a number of termination events. The Underwriter may terminate its obligations under the Underwriting Agreement if any of the following events occur:

- (a) the Company does not lodge the Prospectus on the lodgement date, or the Prospectus or the Rights Issue and Placement are withdrawn by the Company; or
- (b) the Underwriter, having elected not to exercise its right to terminate its obligations under this agreement as a result of an occurrence as described in paragraph (h) below forms the view on reasonable grounds that a supplementary prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary prospectus in such form and content and within such time as the Underwriter may reasonably require; or

- (c) the Company lodges a supplementary prospectus without the prior written agreement of the Underwriter; or
- (d) it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
  - (i) the effect of the Rights Issue and Placement on the Company and;
  - (ii) the rights and liabilities attaching to the New Shares; or
- (e) it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (f) any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (g) an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Rights Issue shortfall notification date has arrived, and that application has not been dismissed or withdrawn; or
- (h) a new circumstance that would be adverse in a material respect from the point of view of an investor arises that would have been required to be disclosed in the offer documents had it arisen before the offer documents were lodged with ASX; or
- (i) ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus (and such notice is not withdrawn), or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act; or
- (j) it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them; or
- (k) a certificate which is required to be furnished by the Company under this agreement is not furnished by the time specified; or
- (l) the S&P/ASX 200 Index closes lower than 85% of the level of that index as at the close of normal trading on ASX on either the business day immediately preceding the date of this agreement or the date of this agreement, for two consecutive trading days; or
- (m) an application is made by ASIC for an order under Part 9.5 in relation to the Rights Issue and Placement or the offer documents; or
- (n) ASIC issues or threatens to issue proceedings in relation to the Rights Issue and Placement, or commences any hearing, inquiry or investigation in relation to the offer; or
- (o) ASIC commences or gives notice of an intention to commence a prosecution of the Company; or

- (p) ASIC makes a determination under sub-section 708A(2) of the Corporations Act that it is satisfied that the Company has, within the previous 12 months, contravened any of the provisions listed in such sub-section; or
- (q) ASX makes an official statement to any person, or indicates to the Company or any Underwriter (whether or not by official statement) that:
  - (i) official quotation of all of the New Shares will not be granted by ASX or will be granted subject to conditions that are not acceptable to the Underwriter or such approvals will not be given:
    - (A) in the case of the Shares under the Placement, by the placement trading date (or such later date agreed in writing by the Underwriter in its absolute discretion) or is withdrawn, qualified or withheld on or before the placement trading date; or
    - (B) in the case of the Shares under the Rights Issue, by the Rights Issue trading date (or such late date agreed in writing by the Underwriter in its absolute discretion) or is withdrawn, qualified or withheld on or before the Rights Issue trading date; or
  - (ii) any Shares of the Company will be suspended from quotation by the ASX; or
  - (iii) the Company will be removed from the official list of the ASX,
 or any of the matters, events or things referred in paragraphs (i) to (iii) above occurs; or
- (r) the issuer information includes:
  - (i) a statement which is or becomes misleading or deceptive or likely to mislead or deceive; or
  - (ii) any forecasts, expressions of opinion, intention or expectation which are not based on reasonable grounds; or
- (s) an event of default or breach by the Company or any group member occurs under any material debt or financing arrangement which the Company (or any group member) has entered into; or
- (t) any waiver provided by a financier in respect of an actual or potential breach of any material debt or financing arrangement is withdraw, rescinded, altered or amended; or any material debt or financing arrangement which the Company (or any group member) has entered into is varied to an extent that would, in the opinion of the Underwriter, have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of the Company or the group; or
- (u) the offer documents or any aspect of the Rights Issue and Placement does not comply with the Corporations Act, ASX Listing Rules, the ASX waivers or any other applicable law including due to:
  - (i) a statement in the offer documents which is or becomes misleading or deceptive or likely to mislead or deceive, or omit any information that is required (including, without limitation, having regard to the provisions of section 708A of the Corporations Act); or
  - (ii) any forecasts, expressions of opinion, intention or expectation which are not based on reasonable grounds; or

- (v) there is an alteration to the Company's capital structure or Constitution, without the prior consent of the Underwriter or as otherwise provided in this agreement, or a breach of the Constitution occurs; or
- (w) the Company becomes required to give or gives a correcting notice under subsection 708A(9) of the Corporations Act; or
- (x) the Company commits a material breach of the Corporations Act, ASX Listing Rules, the Constitution, or other applicable laws, or has failed to comply with its continuous disclosure obligations or its Constitution; or
- (y) any administrative, regulatory, self-regulating body, court or other judicial body commences any public action against any such person in their capacity as such in relation to any fraudulent conduct or activity whether or not in connection with the offer or the Company engages in fraudulent activity; or
- (z) any Director of the Company is disqualified from managing a corporation under the Corporations Act; or
- (aa) the Company withdraws the Rights Issue and Placement or the Rights Issue and Placement will not otherwise proceed in accordance with this agreement; or
- (bb) any group member becomes insolvent or there is an act or omission which may result in any group member becoming insolvent; or
- (cc) any event specified in the timetable is delayed for one or more business days without the prior written consent of the Underwriter; or
- (dd) a scheme of arrangement or reconstruction is announced by the Company, or another offer to Shareholders is announced by another person, which, if implemented or completed substantially in accordance with its terms, would result in a person and their associates acquiring a beneficial interest in, or voting power of, 50% or more of the Shares on issue in the Company; or
- (ee) there is an event or occurrence, including any statute, order, rule, regulation, directive or request compliance with which is in accordance with the general practice of persons to whom the request is addressed of any government agency which makes it illegal for the Underwriter to satisfy an obligation under this agreement, or to market or promote the Rights Issue and Placement or subscribe for Top-Up Shares or Placement Shares, as applicable; or
- (ff) the Company issues a public statement concerning the offer which has not been approved by the Underwriter in breach of this agreement.

***Material termination events***

If in the reasonable opinion of the Underwriter any of the following events:

- (a) has, or is likely to have, or will have once disclosed to the market, a material adverse effect on the Rights Issue and Placement or, the willingness of persons to subscribe for Shares under the Rights Issue and Placement (or would in the absence of any contractual obligation have or be reasonably likely to have such a material adverse effect), the price at which securities are traded on the ASX, the settlement of the Shares to be issued under the Rights Issue and Placement, the ability of the Company to issue the Shares under the Rights Issue and Placement at the applicable issue price, the ability of securities to be traded on ASX, or acceptance by the Underwriter of applications for Securities under the Rights Issue and Placement; or

- (b) would, or would be likely to, give rise to a liability to the Underwriter in connection with the Rights Issue and Placement in any capacity under any applicable law; or
- (c) has given rise to or is likely to give rise to a contravention by the Underwriter of, or the Underwriter being involved in a contravention of, the Constitution, the Corporations Act, ASX Listing Rules or any other applicable law,

the Underwriter may terminate its obligations under the Underwriting Agreement:

- (d) trading in all securities quoted or listed on ASX, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading or substantially all of a trading day; or
- (e) a general moratorium on commercial banking activities in New Zealand, Australia, Canada, any member state of the European Union, the United States or the United Kingdom, is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- (f) any adverse effect on financial markets in any of Australia, New Zealand, the United States, or the United Kingdom or the international financial markets, or in foreign exchange rates or any development involving a change in national or international, political, financial or economic conditions; or
- (g) there is introduced into the Parliament of Australia a law or prospective law, or any new regulation is made under any statute, or a government agency adopts a policy, or there is any announcement that such a law, prospective law or regulation may be introduced or policy may be adopted (except where such law is announced or generally known to the market prior to the date of this agreement); or
- (h) there is an outbreak of hostilities not presently existing (in all cases whether war has been declared or not), or the escalation of existing hostilities involving any one or more of Australia, New Zealand, the United States of America, Canada, any member state of the European Union, Japan, the Peoples Republic of China, Indonesia or North Korea or a there is a major act of terrorism anywhere in the world outside of the region generally described as the 'Middle East'; or
- (i) the management questionnaires or any other information supplied in writing by or on behalf of the Company to the Underwriter in relation to the group, the Rights Issue and Placement or the offer documents is or becomes misleading or deceptive, including by way of omission; or
- (j) a Director or officer (as that term is defined in the Corporations Act) of the Company is charged with an indictable offence; or
- (k) any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company, or the group including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Issuer, and the group from those respectively disclosed in the ASX materials; or
- (l) a representation, warranty or undertaking made or given by the Company under this agreement proves to be or becomes, untrue or incorrect; or
- (m) the Company fails to perform or observe any of its obligations or breaches any term or condition under this agreement; or

- (n) a change to the senior management or Board is announced or occurs without the consent of the Underwriter.

## 11.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

### *Security holdings*

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement New Shares	Entitlement New Options
Dominique Fisher	167,500	-	67,000	33,500
Megan Baldwin	10,674	200,000	4,270	2,135
Tina McMeckan	100,000	-	40,000	20,000
Russell Howard	-	-	-	-

### *Remuneration*

The total maximum remuneration of non-executive Directors is set by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made in such proportion and manner as the Board agrees or in default of agreement, equally. The current amount has been set at an amount not to exceed \$500,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total annual remuneration paid (or to be paid) to Directors and former Directors of the Company.

<b>Current Directors</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Dominique Fisher	\$87,204	\$87,204	\$87,404
Megan Baldwin (CEO and Managing Director)	\$242,798	\$275,288	\$306,915
Tina McMeckan	\$55,590	\$55,590	\$55,718
Russell Howard	\$0	\$0	\$32,359
<b>Past Directors</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Robert Klupacs	\$533,138	\$459,366	\$409,904
Don Clarke	\$61,044	\$61,044	\$25,494
Errol Malta	\$87,204	\$34,064	\$0
Carlo Montagner	\$17,804	\$0	\$0

## 11.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Minter Ellison has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Minter Ellison approximately \$40,000 (excluding GST and disbursements) for these services. Further amounts may be paid to Minter Ellison in accordance with their usual time based charge out rates.

The Underwriter has agreed to act as Underwriter of the Rights Issue, nominee to the Rights Issue, lead manager to the Rights Issue and Placement and bookrunner to the Placement. For these services, the Underwriter will be paid the fees set out in Section 11.4.

## 11.7 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section;
- (c) Bell Potter Securities Limited has given its written consent to being named as Underwriter of the Rights Issue, nominee to the Rights Issue, lead manager to the Rights Issue and Placement and bookrunner to the Placement, in the form and context in which it is named and to the inclusion of certain statements attributed to it in this Prospectus in accordance with section 716 of the Corporations Act. Bell Potter Securities Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC;
- (d) Computershare Investor Services Pty Limited has consented in writing to be named in this Prospectus as the share registry for the company and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC; and
- (e) Minter Ellison has given its written consent to being named as the solicitors to the Company in this Prospectus. Minter Ellison has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

## 11.8 Expenses of the Offer

In the event that all Entitlements are taken up, the total expenses of the Offer are estimated to be approximately \$1,200,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
Fees payable to the Underwriter in respect of the Rights Issue and Placement	\$1,044,000
Legal fees	\$40,000
Share registry and Prospectus printing	\$22,000
Fees payable to the nominee	\$Nil
ASIC fees, ASX fees and other miscellaneous costs	\$94,000
<b>Total</b>	<b>\$1,200,000</b>

## 11.9 Electronic prospectus

Pursuant to ASIC Regulatory Guide 107, the Company may distribute the Prospectus and Entitlement and Application Form electronically, provided that the electronic Prospectus is identical to the Prospectus lodged with ASIC and the electronic Prospectus contains the same information in the same sequence and with the same prominence, as the Prospectus lodged with ASIC, with the exception of modifications that are immaterial and reflect necessary adjustments or increased functionality when using different electronic media.



If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by your personalised Entitlement and Acceptance Form. If you have not, please phone the Company on +61 3 9826 0399 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's announcements page on ASX: <http://www.asx.com.au>, Company code: CIR.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### **11.10 Clearing House Electronic Sub-Register System (CHES) and issuer sponsorship**

The Company will not be issuing certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not issue you a certificate. Instead, you will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares and New Options allotted to you under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to Shareholders if there have been any changes in their security holding in the Company during the preceding month.

#### **11.11 Privacy Act**

If you complete an Entitlement and Acceptance Form for New Shares (and accompanying New Options) under the Rights Issue, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

#### **11.12 Authorisation**

Each Director has authorised the issue of this Prospectus. Each Director has consented (and has not withdrawn their consent) to the lodgement of this Prospectus with ASIC.

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## **12. PLACEMENT AND PLACEMENT OFFER**

### **12.1 Placement and Placement Offer**

As announced on 6 October 2014, the Company proposes to conduct a Placement to raise approximately \$14 million. Under the Placement, New Shares will be issued at \$0.175 per New Share, together with 1 free accompanying New Option for every 2 New Shares subscribed for under the Placement, exercisable at \$0.27 per New Option on or before 25 November 2018.

Completion of Tranche 2 of the Placement (including the Placement Offer) (and the issue of the New Options to be issued under Tranche 1 of the Placement) is subject to an ASX Listing Rule 7.1 Shareholder approval being obtained at the Company's annual general meeting to be held on 18 November 2014. The issue of New Options under Tranche 1 of the Placement and the issue of the New Shares and New Options under Tranche 2 of the Placement will not occur if such Shareholder approval is not obtained.

As the New Options are not currently quoted on the official list of ASX, the Company is required to make an offer of the New Options to Placement Investors under a prospectus.

***The New Shares and New Options issued to Placement Investors will not participate in the Rights Issue (and Top-Up Facility).***

### **12.2 Purpose of funds raised under the Placement and Placement Offer**

The funds raised under Tranche 2 of the Placement (including the Placement Offer) will be used to conduct a Phase 2A clinical trial of OPT-302 in combination with Lucentis<sup>®</sup> and as working capital to fund staff and directors, administrative and patent/intellectual property expenses.

The Phase 2A study will be a randomized, controlled trial to evaluate the efficacy and safety of OPT-302 given in combination with Lucentis<sup>®</sup>, compared to Lucentis<sup>®</sup> monotherapy, for the treatment of patients with wet AMD. Patients will be randomized to each of the treatment regimens administered once every four weeks for a total of four doses. At week 16 for the Lucentis<sup>®</sup> arm, patients who experience a sub-response to Lucentis<sup>®</sup> will receive add-on OPT-302 "rescue therapy" at week 16, week 20 and week 24.

Refer to Section 7 for use of funds raised under Tranche 1 of the Placement (which in respect of the New Shares to be issued under Tranche 1 of the Placement, is not subject to Shareholder approval).

### 12.3 Use of funds

The Company's present intention is to use the funds raised from Tranche 2 of the Placement (including the Placement Offer) in accordance with the table set out below:

<b>Proceeds of the Placement (including the Placement Offer)</b>	<b>Full Subscription (\$million)</b>
Phase 2A clinical trial in wet AMD patients	\$6.5
Clinical advisory & regulatory expenses	\$0.6
Laboratory operational expenses	\$0.3
Working capital <ul style="list-style-type: none"><li>• Staff &amp; Directors</li><li>• Investor relations, listing fees, insurance, legal fees</li><li>• Patents &amp; intellectual property expenses</li></ul> Business development	\$4.4
Expenses of the Placement and Placement Offer	\$1.0
<b>Total</b>	<b>\$12.8</b>

The above table is a statement of current intentions of the Company as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

Any monies raised upon the exercise of New Options issued under the Placement will be used for general working capital.

Refer to Section 7 for use of funds raised under Tranche 1 of the Placement (which in respect of the issue of New Shares under Tranche 1 of the Placement, is not subject to Shareholder approval).

### 12.4 Effect of the Placement (including the Placement Offer)

The Placement and Placement Offer will have an effect on the capital structure and financial position of the Company.

The principal effect of the Placement and Placement Offer, assuming all the Entitlements under the Rights Issue are taken up will be to:

- increase the Company's cash reserves by \$13 million (after deducting the estimated expenses of the Placement and Placement Offer) immediately after completion of the Rights Issue, Placement and Placement Offer; and
- increase the number of Shares on issue from 48,633,015 as at the date of this Prospectus to 148,086,221 Shares and result in the issue of 49,726,903 New Options (post completion of the Rights Issue, Placement and Placement Offer).

If the Placement is successful, the maximum number of New Shares issued under the Placement will be 80,000,000 and the maximum number of accompanying New Options will be 40,000,000. The maximum number of New Shares and New Options on issue post the Rights Issue, Placement and Placement Offer (assuming none of the New Options are exercised), will be as follows:

Number of New Shares on issue post the Rights Issue and the Placement*	99,453,206
Number of New Options on issue post the Rights Issue and the Placement Offer (excluding the BP Options which are unquoted Options)	49,726,603
<b>Total Shares on issue after completion of the Rights Issue and the Placement*</b>	<b>148,086,221</b>

\* Assuming none of the New Options issued under the Rights Issue and Placement are exercised.

**The securities listed above excludes existing and proposed securities issued to employees and Directors of Circadian pursuant to various Circadian employee and Director share and option schemes. The aggregate of such securities issued (or to be issued) will not exceed 5% of the issued share capital of the company as at the date of the relevant issue of those securities.**

**The Company also proposes to issue 1 million BP Options to the Underwriter on the terms and conditions set out in Section 13.**

## **12.5 Impact on control of the Company**

Securities under the Placement (including the Placement Offer) will be offered to various institutional and sophisticated investors in Australia and overseas. No Placement Investor will be issued with New Shares and accompanying New Options under the Placement (including the Placement Offer) which would result in that investor having more than the 20% voting power threshold in section 606 of the Corporations Act.

## **12.6 Pro-forma balance sheet**

Refer to Section 8.4 for details.

## 12.7 Timetable

The timetable for the Placement and Placement Offer is as follows:

Lodgement of Prospectus with the ASIC and ASX	9 October 2014
Prospectus despatched to Shareholders & Company announces despatch has been completed	17 October 2014
Tranche 1 Placement investor settlement via DvP	17 October 2014
Tranche 1 investor issue of New Shares	20 October 2014
Tranche 1 investor quotation of New Shares	21 October 2014
Annual general meeting	18 November 2014
Placement settlement via DvP	24 November 2014
Tranche 2 Placement investors issue of New Shares and accompanying New Options	25 November 2014
Quotation of Tranche 2 Placement New Shares and accompanying New Options and Tranche 1 Placement New Options	26 November 2014

**The dates above and other dates referred to in this Prospectus (except the date of this Prospectus) are indicative only. Subject to the ASX Listing Rules and the Corporations Act, the Company with the consent of the Underwriter may amend this timetable in its absolute discretion. As such, the date the New Shares and New Options issued under the Placement and Placement Offer are expected to commence trading on ASX may vary.**

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## **13. OFFER OF BP OPTIONS TO THE UNDERWRITER**

### **13.1 Underwriting Agreement**

The Rights Issue is fully underwritten by Bell Potter Securities Limited. Under the terms of the Underwriting Agreement between Circadian and the Underwriter, if the aggregate amount raised by Circadian under the Placement and Rights Issue is at least \$12.5 million, Circadian and the Underwriter agree to negotiate in good faith and enter into a separate corporate advisory agreement.

The corporate advisory agreement will include an obligation on Circadian to issue the Underwriter (or its nominee) 1 million BP Options for no consideration within ten business days of the date of execution of the corporate advisory agreement (currently expected to be on or around 10 December 2014 (**Corporate Advisory Date**)). The BP Options are exercisable at of \$0.2625 per option and are exercisable between the first and third anniversary of the Corporate Advisory Date. The BP Options will not be quoted on the ASX.

### **13.2 Offer of BP Options**

As the BP Options are not in a class of securities which are currently quoted on the official list of ASX, subject to the execution of the corporate advisory agreement as referred to in Section 13.1 above, the Company proposes to make the offer of the BP Options to the Underwriter (or its nominee) under this Prospectus.

### **13.3 Use of funds**

The BP Options will be issued for nil consideration and accordingly no funds will be raised on the issue of the BP Options. Monies raised upon the exercise of the BP Options (if any) will be used for general working capital.

### **13.4 Effect of the offer of the BP Options**

The issue of the BP Options will have an effect on the capital structure of the Company. Assuming the Placement and Rights Issue is successful, the maximum number of New Shares and New Options on issue post the Offer (which includes the issue of the BP Options) and assuming none of the New Options or BP Options are exercised will be as follows:

Number of New Shares on issue post the Rights Issue and the Placement	99,453,206
Number of New Options on issue post the Rights Issue and the Placement Offer (excluding the BP Options which are unquoted Options)	49,726,603
Number of BP Options on issue post the Offer	1,000,000

The securities listed above exclude existing and proposed securities issued to employees and Directors of Circadian pursuant to various Circadian employee and Director share and option schemes. The aggregate of such securities issued (or to be issued) will not exceed 5% of the issued share capital of the Company as at the date of the relevant issue of those securities.

### **13.5 Proforma balance sheet**

Refer to Section 8.4 for details.

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## **14. OPTION TERMS**

### **1. Defined Terms**

Unless otherwise defined, capitalised terms used in this Section have the meanings given to them in the Glossary to the Prospectus.

**Exercise Notice** means the notice specified in clause 12.1(a).

**Exercise Price** in relation to an Option, the exercise price specified in clause 4, as adjusted from time to time in accordance with clause 11.

### **2. Entitlement**

Each Option entitles the Optionholder, on exercise of the Option, to subscribe for one fully paid ordinary share in the capital of the Company.

### **3. Issue price**

No amount is payable on issue of the Options.

### **4. Exercise price**

Each Option has an exercise price of \$0.27 (**Exercise Price**).

### **5. Option period**

Each Option may be exercised at any time prior to the Expiry Date by delivery to the Company of a notice of exercise (in or to the effect of the form provided to the Optionholder by the Company at the time of the grant of the Option or otherwise), accompanied by payment of the Exercise Price.

### **6. Expiry Date**

Unless exercised, the Option expires at 5:00 p.m. (AEDT) on 25 November 2018 (**Expiry Date**).

### **7. Dividends**

The Options do not confer any right to dividends.

### **8. No voting rights**

The Options will confer the right to attend general meetings of the Company and to receive reports to Shareholders, but will not confer any right to vote or speak at any meeting.

### **9. Transfer**

Each Option may be freely transferred at any time, in accordance with the Corporations Act, the ASX Settlement Operating Rules and the ASX Listing Rules.

### **10. Holding Statement**

The Company must give each Optionholder either an issuer sponsored or CHESS holding statement which sets out:

- (a) the number of Options issued to the Optionholder;
- (b) the Exercise Price of the Options; and

- (c) the date of issue of the Options.

## **11. Participation rights, bonus issues, rights issues and reorganisations**

### **11.1 Participation**

An Optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares.

### **11.2 Notice of new issue**

The Company must give an Optionholder, in accordance with the ASX Listing Rules, notice of:

- (a) the proposed terms of the issue or offer proposed under clause 11.1; and
- (b) the right to exercise their Options under clause 11.1.

### **11.3 Bonus issues**

If the Company makes a bonus issue of Shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for determining entitlements to the issue.

### **11.4 Pro rata issues**

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option is reduced in accordance with the ASX Listing Rules.

### **11.5 Reorganisation**

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Optionholder (including the number of Options to which each Optionholder is entitled and/or the Exercise Price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

### **11.6 Calculations and adjustments**

Any calculations or adjustments which are required to be made under clause 11 will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Optionholder.

### **11.7 Notice of change**

The Company must within a reasonable period give to each Optionholder notice of any change under clause 11 to the Exercise Price of any Options held by an Optionholder or the number of Shares which the Optionholder is entitled to subscribe for on exercise of an Option.



## **12. Method of exercise of Options**

### **12.1 Method and payment**

To exercise Options, the Optionholder must give the Company or its share registry, at the same time:

- (a) a written exercise notice (in the form approved by the Board of the Company from time to time) (**Exercise Notice**) specifying the number of Options being exercised and Shares to be issued; and
- (b) payment of the Exercise Price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

### **12.2 Exercise all or some Options**

- (a) An Optionholder may only exercise Options in multiples of 500 unless the Optionholder exercises all Options held by the Optionholder.
- (b) Options must be exercised no later than 25 November 2018.

### **12.3 Amended Option holding statement**

If an Optionholder exercises less than the total number of Options registered in the Optionholder's name, the Company must give the Optionholder an amended CHESS issuer sponsored holding statement stating the remaining Options held by the Optionholder.

### **12.4 Issue of Shares**

After receiving an Exercise Notices and payment by an Optionholder of the Exercise Price, the Company must within 15 Business Days after receipt of an Exercise Notice, issue the Optionholder the number of fully paid ordinary shares in the capital of the Company specified in the Exercise Notice.

## **13. Ranking of Shares issued on exercise of Options**

Subject to the Company's Constitution, all Shares issued on the exercise of Options rank in all respects pari passu with the existing ordinary shares of the Company at the date of issue and only carry an entitlement to receive dividends that have a record date after the Shares were issued.

## **14. Quotation**

Subject to the terms set out in the Prospectus and the ASX Listing Rules, the Company will apply to ASX Limited for official quotation of:

- (a) the Options; and
- (b) the Shares issued on exercise of the Options (unless at the time of exercise, it is not admitted to the official list of the ASX).

## **15. Duties and taxes**

The Company is not responsible for any duties or taxes that may become payable in connection with the issue of Shares following exercise of, or in connection with any other dealing with, the Options.

## **16. Notices**

- (a) All notices, requests and statements given or made under these terms must be in writing.
- (b) The Company must send any notice, request or other document relating to the Options to be sent to an Optionholder under these terms to the Optionholder's registered address as recorded in the Company's register of Optionholders.
- (c) An Optionholder must send any notice, request or other document relating to the Options to be sent to the Company under these terms to the Company's registered office or as the Company otherwise specifies by notice to the Optionholder.
- (d) At any time, an Optionholder may request the Company to give the Optionholder a blank Exercise Notice. The Company must give the Optionholder a blank Exercise Notice promptly on receiving the request.

## **17. Governing law**

These terms and the rights and obligations of Optionholders are governed by the laws of Victoria. Each Optionholder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria.

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15. **GLOSSARY**

**\$ and A\$** means Australian currency.

**AEDT** Australian Eastern Daylight Time as observed in Australia.

**Applicant** means an Eligible Shareholder who makes an Application to subscribe for Securities pursuant to the Rights Issue or the Placement Offer.

**Application** means a valid application to participate in the Rights Issue and the Top-Up Facility (if eligible), made by an Eligible Shareholder by completing an Entitlement and Acceptance Form.

**Application Monies** means money submitted by Shareholders in respect of Applications.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** means the listing rules of the ASX.

**ASX Settlement** means ASX Settlement Pty Limited ABN 49 008 504 532.

**ASX Settlement Operating Rules** means the operating rules of ASX Settlement as amended from time to time, except to the extent of any express written waiver by ASX Settlement.

**Board** means the board of Directors unless the context indicates otherwise.

**BP Options** means the options to be issued to Bell Potter Securities Limited pursuant to the terms and conditions set out in Section 13 of this Prospectus.

**Business Day** has the same meaning as in the ASX Listing Rules.

**CHESS** means Clearing House Electronic Sub-register System operated in accordance with the Corporations Act.

**Closing Date** means the date specified in the timetable set out in Section 3 of this Prospectus (unless extended).

**Company** means Circadian Technologies Limited ACN 006 340 567.

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporate Advisory Date** means the date the corporate advisory agreement is executed by Circadian and the Underwriter in accordance with the terms set out in the Underwriting Agreement.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company as at the date of this Prospectus.

**Eligible Shareholder** means a Shareholder:

- (a) who is registered as a Shareholder on the Record Date with a registered address in Australia or New Zealand); and
- (b) is not in the United States and is not a US Person or acting for the account or benefit of a US Person.

**Entitlement** means the entitlement of an Eligible Shareholder to subscribe for 2 New Shares for every 5 Shares held by that Eligible Shareholder on the Record Date, together with 1 free New Option for every 2 New Shares applied for pursuant to the Prospectus.

**Entitlement and Acceptance Form** means the personalised entitlement and acceptance form either attached to or accompanying this Prospectus.

**FDA** means US Food and Drug Administration.

**IND** means investigational new drug.

**Ineligible Shareholder** means a Shareholder:

- (a) with a registered address which is outside Australia or New Zealand as at the Record Date; or
- (b) is in the United States and is a US Person or acting for the account or benefit of a US Person.

**New Shares** means the shares offered to Eligible Shareholders under the terms and conditions of the Rights Issue, Top-Up Facility or Placement, as the case maybe.

**New Options** means the Options offered to Eligible Shareholders under the terms and conditions of the Rights Issue, Top-Up Facility or Placement Offer, as the case maybe.

**Offer** means the issue of Securities to Eligible Shareholders under the Rights Issue and Top-Up Facility, the issue of New Options to the investors under the Placement Offer and the issue of BP Options to the Underwriter, the subject of this Prospectus.

**Official Quotation** means official quotation on ASX.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Placement** means the placement of New Shares and New Options as announced to ASX on 6 October 2014.

**Placement Investors** means the investors who subscribe for New Shares and New Options under the Placement.

**Placement Offer** means the offer to subscribe for New Options under the Placement.

**Prospectus** means this prospectus dated 9 October 2014.

**Record Date** means 7.00pm AEDT on the date specified in the timetable set out in Section 3.

**Rights Issue** means the offer to Eligible Shareholders to subscribe for New Shares and New Options pursuant to their Entitlement.

**Securities** means the New Shares and the New Options and where applicable, includes the BP Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Syngene** means Syngene Limited, a subsidiary company of Circadian (in which Circadian holds 52% of Syngene's share capital).

**Tranche 1** has the meaning given to this term in Section 4.1.

**Tranche 2** has the meaning given to this term in Section 4.1.

**Top-Up** means the New Shares, together with attaching New Options, available under the Rights Issue that are not subscribed for by Eligible Shareholders under the Rights Issue by the Closing Date (if any).

**Top-Up Facility** means the offer to subscribe for Top-Up Securities in excess of an Eligible Shareholder's Entitlement.

**Top-Up Securities** means the New Shares, together with the attaching New Options, comprising part of the Top-Up.

**Underwriter** means Bell Potter Securities Limited AFSL 243480.

**Underwriting Agreement** means the agreement referred to in Section 11.4 between Circadian and the Underwriter.

**US Person** has the meaning given under Regulation S under the United States Securities Act of 1933, as amended.