

APPENDIX 4E

PRELIMINARY FINAL REPORT

OPTHEA LIMITED
ABN: 32 006 340 567

Year ended 30 June 2017
Results for announcement to the market

	30 June 2017 \$	30 June 2016 \$	% Movement
Results			
Revenues from ordinary activities	573,421	765,274	down 25.1%
Loss from ordinary activities after tax attributable to members	(6,192,896)	(6,507,420)	Loss has decreased 4.8%
Loss for the year attributable to members	(6,192,896)	(6,507,420)	Loss has decreased 4.8%
NTA Backing			
Net tangible asset backing per ordinary security	0.27	0.10	

Dividend distribution

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

This report is based on the attached audited consolidated financial report.



2016 – 17
ANNUAL
REPORT

OPTHEA
HAS TAKEN A
G I A N T
S T E P

in terms of creating a globally relevant program with the release of positive data from its 12-week, 51-patient phase 1/2a study that evaluated OPT-302 as a novel therapy for wet AMD.

\$ 4 5 M

G R O W T H

The successful outcomes from the Phase 1/2a trial in patients who received OPT-302 monotherapy and combination therapy allowed Opthea to consummate an oversubscribed A\$45 million financing. The funds see the company fully funded through 2020 and allow Opthea to expand and diversify its clinical development program.

T R A N S I T I O N

As a fusion protein with
a 'trap' mechanism of action,

OPT-302

targets VEGF-C and VEGF-D
that are novel members of the
VEGF family.

A major part of the appeal of
intravitreally injected OPT-302
is that it is different to the
existing wet AMD therapies
that target VEGF-A.

Used in combination with
one of the currently approved
anti-VEGF-A drugs, we can
inhibit VEGF-A, -C and -D,
in what clinical investigator
Pravin U. Dugel, MD, calls
a "pan-VEGF" approach.

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We know that reducing fluid is key to combating DME,
which presents an opportunity for OPT-302 for that
indication. We are also interested in other indications
beyond wet AMD and DME for which our technology
may improve patient outcomes.

Overall, we have

SOUND SCIENCE

and think that OPT-302 has the
potential to be a game changer.

OPTHEA'S PRINCIPAL
ACTIVITY IS TO DEVELOP
AND COMMERCIALISE
THERAPIES PRIMARILY
FOR EYE DISEASE





“ BECAUSE WET AMD IS
SUCH A COMPLEX DISEASE
WITH MULTIPLE PATHWAYS,
IT IS LIKELY THAT A
COMBINATION OF DRUGS
WILL BE ABLE TO PROVIDE
BETTER OUTCOMES.”

— MACULAR DISEASE FOUNDATION AUSTRALIA,
MACULAR DEGENERATION RESEARCH
UPDATE DECEMBER 2015

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OPTHEA'S STRATEGY IS
TO DEVELOP OPT-302 AS
A COMBINATION THERAPY
TO BE USED TOGETHER
WITH OTHER EXISTING
APPROVED THERAPIES.

CHAIRMAN AND CEO OVERVIEW



WE WILL EXPAND
OUR PROGRAM
INTO ANOTHER EYE
DISEASE INDICATION

Dear fellow shareholders

We're delighted to report on a successful, in fact a transitional year, for Opthea. The progress we have made this year significantly advanced our lead drug candidate, OPT-302, along the drug development pathway for the treatment of wet AMD. OPT-302 improved visual acuity and reduced the effects of wet AMD on its own and in combination with the current approved drug, Lucentis®. OPT-302, a VEGF-C/-D inhibitor, carries the potential to meaningfully improve visual outcomes for patients treated in combination with current standard-of-care therapies, which selectively block VEGF-A.

On the back of the successful Phase 1/2A clinical trial of OPT-302 in wet AMD, that met its safety end points and showed promising efficacy, the company completed a well over-subscribed A\$45 million equity capital raising.

This year we met with the US FDA and they provided thorough and positive feedback to us, and indicated its continued support to advance the OPT-302 program for back of the eye diseases (including wet AMD and DME). The outcomes from this meeting provided a clear path forward to execute plans to initiate the larger, randomised and controlled Phase 2B study in wet AMD patients in 2017.

We also received positive feedback from European regulatory agencies for the OPT-302 clinical program in wet AMD. Scientific advice was received from two key European regulatory agencies in support of Opthea's Phase 2B wet AMD clinical trial with OPT-302 that will enrol patients in both the US and European Union (EU).

Now well-funded and with such promising results and regulatory feedback, we are expanding clinical studies with OPT-302. In the second half of calendar 2017 we will initiate two new trials in wet AMD patients. As well as a ~350 patient Phase 2B trial, we'll also initiate a Phase 2A study of approximately 100 patients previously treated with the current standard of care who experienced sub-optimal response.

In another exciting clinical initiative, we will expand our program into another eye disease indication by conducting a Phase 2A study in diabetic macular edema (DME) patients. Initiating a DME study is an important milestone for Opthea: it diversifies our program to investigate OPT-302 in more than one eye disease.

THANK YOU TO OUR SHAREHOLDERS FOR YOUR CONTINUED SUPPORT



Existing approved treatments, including Lucentis®, are achieving combined annual sales of more than US\$8 billion. There is still however a significant unmet medical need. Despite treatments being available, many patients don't respond well to them or continue to deteriorate over time. OPT-302's trial results indicate it could improve treatment outcomes for wet AMD and DME patients.

The \$45 million capital raising completed in May 2017 came from new and existing shareholders: \$42 million from Australian, US and EU based institutional investors and \$3 million from Australian and New Zealand retail shareholders. The raising strengthens our balance sheet and provides sufficient funds for Opthea to carry out an expanded OPT-302 clinical trial program and build the required infrastructure around this.

We are looking forward to achieving important milestones in the coming year including:

- Publication of phase 1/2A trial results in a peer-reviewed journal;
- Patient recruitment into the Phase 2B wet AMD, Phase 2A studies in DME and prior treated wet AMD patients;
- Building our professional team to ensure continued success in our expanded clinical trial program.

Thank you to our shareholders for your continued support, particularly in such strong support for this year's capital raising.

We also thank our fellow director Michael Sistenich for his continued hard work during the year. Thanks also go to our loyal and professional team at Opthea for another successful year: we continue to operate at a high standard.

Geoffrey Kempler

Chairman
Opthea Limited

Megan Baldwin, PhD

CEO & Managing Director
Opthea Limited

WE HAVE THE
PLATFORM TO

E X P

THE OPT-302
CLINICAL
DEVELOPMENT
PROGRAM



A N D

DIRECTOR'S REPORT

THE BOARD OF DIRECTORS OF
OPTHEA LIMITED SUBMITS ITS REPORT
FOR THE YEAR ENDED 30 JUNE 2017
FOR OPTHEA AND ITS SUBSIDIARIES.

INFORMATION ABOUT THE DIRECTORS

The names of Opthea Limited's (the Company or Opthea) directors in office during the financial year and until the date of this report are as follows:

Geoffrey Kempler

Non-executive director and chairman

Michael Sistenich

Non-executive director

Megan Baldwin

Managing Director and Chief Executive Officer

The qualifications, experience and special responsibilities of the Company's Directors are as follows.



**Geoffrey Kempler, B.Sc. Grad.
Dipp. App. Soc. Psych**

Geoffrey Kempler was appointed as Opthea's chairman in November 2015 and is currently CEO and executive Chairman of Prana Biotechnology. Geoffrey brings extensive experience in investment, business development and the biotechnology industry. As a founder of Prana Biotechnology, he has held both operational roles and been at the forefront of devising and implementing Prana's strategic and commercialization plans. Geoffrey's experience as Chairman of a dual-ASX-NASDAQ listed biotechnology company, as well as his operational and strategic planning expertise will be particularly beneficial to Opthea as we advance OPT-302 through clinical development



Michael Sistenich, MSc.

Michael Sistenich was appointed non-executive director of Opthea in November 2015 and is Chairman of the remuneration and audit committees.

Michael Sistenich has advised a wide range of global institutions, high net worth individuals and companies on healthcare investments over the past 20 years. He is a healthcare specialist in international investment management and investment banking, and led the Bell Potter team which advised the Company through the \$17.4M capital raising in November 2014. Michael Sistenich is currently a director of Nohla Therapeutics, and previously served as Director of International Equities and Head of Global Healthcare Investments at DWS Investments, Deutsche Bank Frankfurt. Michael has long standing capital market connections and experience in the global healthcare investment community.



Megan Baldwin, PhD, MAICD

Dr Megan Baldwin was appointed CEO and Managing Director in February 2014. Dr Baldwin brings over 20 years of experience focussing on angiogenesis and therapeutic strategies for cancer and ophthalmic indications. Dr Baldwin joined Opthea in 2008 and since then has held various positions, including Head of Preclinical R&D and Chief Executive Officer of Opthea Pty Ltd, the 100% owned subsidiary of Opthea, developing OPT-302 (formerly VGX-300) for the treatment of wet age-related macular degeneration. Prior to joining Opthea, she was employed at Genentech (now Roche), the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In these roles, she developed extensive commercial and scientific knowledge in the field of anti-angiogenic and oncology drug development. She holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research and is a member of the Australian Institute of Company Directors.

Company Secretary Mike Tonroe, BSc(Hons) ACA MAICD

Mike Tonroe, a Chartered Accountant and member of the Australian Institute of Company Directors, was appointed as Chief Financial Officer and Company Secretary on 19 May 2014. Mike previously held CFO and senior executive and general management positions in a number of international and Australian companies. Mike is also the Company Secretary for all Opthea subsidiary companies.

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship
Geoffrey Kempler	Prana Biotechnology Limited	Since 2000

DIRECTORS' INTERESTS

At the date of this report, the relevant interests of each director of the Company in the contributed equity of the Company are as follows:

	Fully paid ordinary shares	Quoted options	Options granted under LTIP and NED Plans
Megan Baldwin ¹	1,643,223	11,500	4,000,000
Geoffrey Kempler	615,246	285,714	2,000,000
Michael Sistenich	520,178	-	1,000,000

¹ Holding of ordinary shares includes 1,500,000 ordinary shares issued on 1 July 2015 subject to a holding lock that expired on 1 July 2016.

SHARE OPTIONS

As at 30 June 2017 and the date of this report, details of Opthea's unissued ordinary shares and interests under option are as follows:

Unissued ordinary shares

At the date of this report the company had on issue 48,136,842 quoted options to purchase ordinary shares with an exercise price of \$0.27 and expiry date of 25 November 2018. During the year, 1,570,255 options (2016: 15,600) were exercised, none have been exercised since the end of the financial year.

No quoted options expired during or since the end of the financial year.

Long Term Incentive and Non-Executive Director Share and Option Plans

During the 2016 financial year the Company granted 9,725,000 options to purchase ordinary shares to directors and employees under the Long Term Incentive (LTIP) and Non-Executive Director Share and Option (NED) Plans. The company also had on issue options granted to Bell Potter Securities Limited:

Grant date	Expiry date	Granted to	Exercise price	Number of options granted
7 March 2016	7 March 2021	Directors under the LTIP and NED plan	\$0.48	7,000,000
31 March 2016	1 January 2022	Employees under the LTIP	\$0.48	2,725,000
13 January 2015	13 January 2018	Bell Potter Securities Limited	\$0.2625	1,000,000
				10,725,000

The Remuneration Report section of this report contains details on the terms and conditions of the options granted under the Company's LTIP and NED Plans.

DIVIDENDS

No cash dividends have been paid, declared or recommended during or since the end of the financial year by the Company.



OPTHEA RAISED
A \$45M IN EQUITY
IN APRIL 2017.
THE COMPANY IS
NOW FULLY FUNDED
THROUGH 2020.

PRINCIPAL ACTIVITIES

The principal activity of Opthea Limited is to develop and commercialise therapies primarily for eye disease. Opthea's lead asset, OPT-302, is a soluble form of VEGFR-3 in clinical development as a novel therapy for wet age-related macular degeneration (wet AMD) and diabetic macular edema (DME). Wet AMD and DME are leading causes of blindness in the elderly and diabetic populations respectively, and are increasing in prevalence worldwide.

Opthea's principal activities in 2016-2017 included advancing OPT-302 through a Phase 1/2A clinical trial in wet AMD patients and the conduct of non-clinical and manufacturing activities to support further clinical investigation of OPT-302.

Opthea's development activities are based on an extensive intellectual property portfolio covering key targets (Vascular Endothelial Growth Factors [VEGF]-C, VEGF-D and VEGF Receptor-3) for the treatment of diseases associated with blood and lymphatic vessel growth (angiogenesis and lymphangiogenesis respectively), as well as vascular leakage. Angiogenesis and vascular leakage are key hallmarks of several eye diseases, including wet AMD and DME.

OPERATING AND FINANCIAL REVIEW

Financial performance

The consolidated results of Opthea and its subsidiaries (the Group) for the year reflect the Group's investment in advancing its OPT-302 ophthalmology program.

A summary of the results is as follows:

- The major expenditure of the Group has been in relation to R&D, in particular costs associated with the Phase 1/2A clinical trial of OPT-302 for wet AMD, conduct of pre-clinical safety toxicology studies and manufacture of clinical grade OPT-302 drug product;
- Direct R&D expenditure (excluding personnel costs) amounted to \$4,838,300 (2016: \$3,581,295). Including personnel costs and other R&D support costs which are recognised as administrative expenses, total expenditure in R&D amounted to \$6,229,346 (2016: \$5,874,562);
- Opthea received an R&D tax incentive payment during the year of \$2,643,533 (2016: \$3,094,502);
- Royalty income received during the financial year was \$73,259 (2016: \$329,304);
- Patent costs incurred during the financial year were \$171,617 (2016: \$254,298);
- The consolidated net loss of the Group for the year was \$6,192,896 after an income tax benefit of \$3,167,912 (2016: loss of \$6,531,774 after an income tax benefit of \$1,569,204).

FINANCIAL POSITION

The Group statement of financial position includes the following key balances:

- Consolidated cash balances as at 30 June 2017 amounted to \$51,959,906 (2016: \$14,486,403);
- Receivables of \$3,218,731 (2016: \$1,808,000) include the Opthea Group's expected refund of R&D tax incentives for the year to June 2017 of \$2,709,765 (2016: \$1,586,990);
- The Group has a net current asset surplus of \$53,329,849 (2016: \$14,633,354);
- The net tangible asset backing per share as at 30 June 2017 was \$0.27 (2016: \$0.10); Opthea's share price was \$0.75 (2016: \$0.50).

Opthea's Technology

Vessel growth and vascular leakage is primarily driven by members of the Vascular Endothelial Growth Factor family that bind to receptors that are present on vessel walls. Opthea's lead drug development candidate OPT302, blocks the activity of two members of this family, namely VEGF-C and VEGF-D.

Approved therapies for wet AMD include the blockbuster drugs Lucentis® and Eylea®. These agents block the activity of VEGF-A, but not VEGF-C or VEGF-D. OPT302 is therefore a novel and differentiated approach for the treatment of eye diseases.

Opthea initially investigated the potential of OPT-302 to reduce disease burden in a mouse model of wet AMD. In this model, OPT-302 effectively reduced disease burden by inhibiting the size of wet AMD lesions and vessel leakage. Furthermore, combined administration of OPT302 with the VEGF-A inhibitor Eylea, was more effective than either agent alone. These results demonstrated that more complete blockade of members of the VEGF family may result in more effective inhibition of vascular growth and leakage in wet AMD lesions.

Other studies, published by independent research groups from around the world, have also demonstrated that levels of VEGF-C and/or VEGF-D are upregulated in response to VEGF-A inhibition, suggesting that sub-optimal clinical responses to Eylea® or Lucentis® may be mediated by VEGF-C and VEGF-D. In one such study, the level of VEGF-C in the eye was significantly elevated in patients with wet AMD who received anti-VEGF-A therapy on a monthly basis after only two months of therapy (Cabral et al. 2016).

The opportunity: OPT-302 for wet AMD and DME

Age-related macular degeneration (AMD) is a progressive chronic disease that affects the back of the eye in a region of the central retina (the macula). The disease is caused by the abnormal growth of blood vessels that leak fluid, lipids and blood under and within the retina. If left untreated, wet AMD leads to severe and often rapid vision loss in the centre of the visual field, affecting the vision that is required to drive, read, recognise faces and perform daily tasks. Wet AMD is the leading cause of vision loss in both men and women aged 50 years or older, and is increasing in prevalence as the population ages.

Diabetic macular edema (DME) is the most common cause of vision loss in diabetics, typically affecting the working age population in developed countries. Diabetes triggers multiple pathways, including inflammation and vascular changes that lead to vascular leakage (edema). The build-up of fluid and protein in the retina leads to vision loss. With the prevalence of diabetes rising, DME represents a growing market opportunity for new therapies that address the underlying causes of the disease.

Approved therapies for wet AMD and DME include the blockbuster drugs Lucentis® and Eylea®. These agents block the activity of VEGF-A, a key mediator of blood vessel growth and vascular leakage. In 2016, Lucentis® and Eylea® generated revenues in excess of USD 8.5 billion. However, for both wet AMD and DME patients, there remains an unmet medical need for new therapies which may improve vision outcomes for patients. At least 45% of wet AMD patients experience some degree of resistance to treatment, with sub-optimal vision gain and persistent retinal fluid despite receiving regular anti- VEGF-A therapy. In addition, a substantial proportion of patients with DME have persistent macular edema and suboptimal vision gain following anti-VEGF-A therapy.

Opthea is developing OPT-302, a 'trap' for VEGF-C and VEGF-D, for use in combination with existing approved inhibitors of VEGF-A (Lucentis®/Eylea®). Combination therapy achieves a more complete blockade of the VEGF family, blocks mechanisms of 'escape' from VEGF-A inhibition and has the potential to improve vision outcomes for wet AMD and DME patients.

OPT-302 is a novel approach for the treatment of eye diseases that severely impact the quality of life of patients and one that is distinct in its mechanism from the existing approved therapies and other agents in development.

Operational update

Clinical progress

In April 2017, Opthea announced positive results from our Phase 1/2A clinical trial of OPT-302 in 51 patients with wet AMD. The trial was conducted under an FDA approved Investigational New Drug Application at 14 clinical sites in the USA and was Opthea's first clinical trial with OPT-302. The trial investigated OPT-302 administered alone (as 'monotherapy') or in combination with Lucentis® administered on a monthly basis for three months. The primary endpoint of the study was the assessment of the safety of OPT-302 administered via ocular (intravitreal) injection as a monotherapy and in combination with Lucentis®. Secondary endpoints of the trial included preliminary measures of clinical activity, including evaluation of visual acuity using eye charts as well as changes in wet AMD lesions, such as measurement of fluid and thickness of the tissue at the back of the eye, using advance imaging techniques.

The trial enrolled patients who had never received treatment for wet AMD before, so called 'treatment naïve patients', as well as patients who have demonstrated a sub-optimal response to prior anti-VEGF-A therapy.

The Phase 1/2A trial met the primary safety endpoint, with no treatment related serious adverse events, systemic adverse events or dose limiting toxicities observed.

We were pleased to report that OPT-302 demonstrated clinical activity in all patient groups investigated, including naïve and prior-treated patients in both the monotherapy and OPT-302 + Lucentis® groups. Improvements in visual acuity and reductions in retinal fluid were also observed suggesting additional clinical benefit with complete suppression of VEGF-A and VEGF-C/D. OPT-302 clinical activity was also observed in the monotherapy treatment groups, with a number of patients who did not receive standard of care Lucentis® therapy demonstrating gains in visual acuity.

The completion of the Phase 1/2A trial represents an important milestone for Opthea. The data is a testament to OPT-302's potential to improve outcomes for patients with wet AMD and other eye diseases for which existing standard of care therapies are associated with sub optimal clinical response.

Following the successful completion of the Phase 1/2A study, we have expanded our clinical development program to explore the therapeutic potential of OPT-302 in both wet AMD and DME patients. We are currently initiating a larger, randomized and controlled Phase 2B clinical trial to investigate OPT-302 + Lucentis® vs Lucentis® alone in approximately 350 treatment-naïve wet AMD patients; and planning Phase 2A studies in patients with DME and wet AMD. Opthea anticipates initiating recruitment in those studies by the end of 2017.

Operational activities to support the further clinical development of OPT-302 were also conducted over the past 12 months. Preclinical safety/toxicology studies to support dosing of OPT-302 on a monthly basis for six months in the Phase 2B wet AMD trial were completed, and manufacture of an additional batch of clinical grade OPT-302 commenced. To obtain input on the design and our approach for the Phase 2B trial, we also concluded positive European scientific advice meetings with regulatory bodies in the UK and Sweden, as well as a Type C meeting with the US Food and Drug Administration (FDA).

Capital raising

In April 2017, Opthea announced a capital raising through the issue of new shares in an entitlement offer and a placement to institutional and professional investors. Proceeds from the \$45.3 million financing will be used to advance OPT-302 through the expanded clinical development program in two eye diseases, wet AMD and diabetic macular edema (DME). The capital raising attracted strong demand from specialist healthcare investors from Australia, the US and the UK and positions the company to execute a more diversified and robust clinical development program for OPT-302.

Corporate presentations

To raise Opthea's profile in the international investment and clinical ophthalmology community, the Company presented data from the first 20 patients enrolled in the Phase 1/2A wet AMD trial at several prominent conferences. In August 2016, Dr Megan Baldwin, CEO presented in the "Emerging approaches to combination therapies in AMD and Diabetic Macular Edema" session of the Ophthalmology Innovation Summit (OIS) in San Francisco.

Phase 1 data was also presented at European Society of Retina Specialists (EURETINA) congress held in Copenhagen, Denmark in September 2016. The EURETINA congress is the largest gathering of specialist retinal ophthalmologists and associated healthcare professionals in Europe.

In addition, in January 2017, Opthea attended the 35th Annual J.P. Morgan Conference in San Francisco. The conference attracts investors as well as pharmaceutical and biotechnology executives from around the world and is one of the industry's largest healthcare investment conferences.

Intellectual property

In July 2017, the Company received a Notice of Allowance from the United States Patent and Trade Mark Office for the Company's patent application for its OPT-302 molecule. Opthea anticipates the patent will be granted by 31 December 2017. The term of the resulting U.S. patent will extend to February 2034 and will cover OPT-302 and its use to treat disorders involving neovascularisation, including eye diseases such as wet AMD and DME.

Corresponding patent applications are pending in 17 other countries, with the patent having already been granted in South Africa. Allowance of the OPT-302 patent builds on Opthea's extensive intellectual property (IP) portfolio covering soluble forms of VEGFR-3. The Company's existing IP portfolio includes granted composition of matter patents in the U.S. extending to 2026, and corresponding granted patents in Europe, Canada, Japan and Australia extending to 2022. In addition, a method of use patent covering sVEGFR-3 has been granted in the U.S. which extends to 2023.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except for the capital raising completed in May 2017 referred to in this report, in the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

FUTURE DEVELOPMENTS

Opthea will continue to pursue the significant commercial opportunity in OPT-302 by advancing and diversifying the clinical development program for the asset.

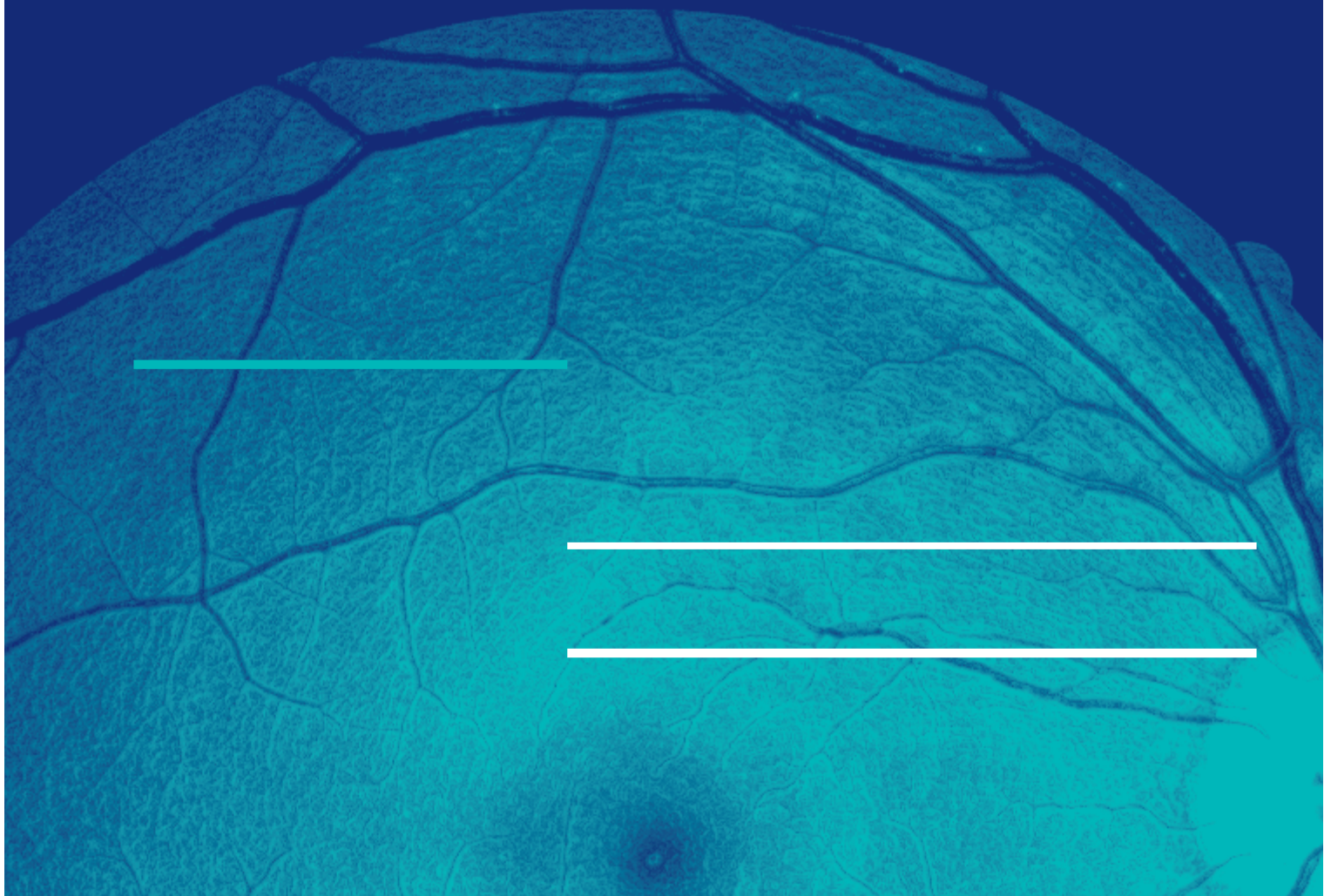
The key objectives of the Company over the next 12 months are to:

- Continue to evaluate and report data analyses from the Phase 1/2A trial of OPT-302 in wet AMD patients;
- Publish the outcomes of the Phase 1/2A study in a peer-reviewed journal;
- Initiate patient recruitment in the US and Europe for the Phase 2B clinical trial in treatment naïve wet AMD patients;
- Initiate patient recruitment in the US and Australia for the Phase 2A clinical trial in DME;
- Finalise the design of and initiate a Phase 2A clinical trial in prior-treated wet AMD patients;
- Continue to liaise with and obtain advice from key opinion leaders in ophthalmology to ensure our clinical program is optimally designed and executed;
- Raise Opthea's profile and an understanding of the company's technology to the international investment and clinical ophthalmology community.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after 30 June 2017 to report.

THERE IS A
LARGE UNMET
MEDICAL NEED
THAT REMAINS
FOR WET AMD
PATIENTS.



ENVIRONMENTAL REGULATIONS

The Company is not subject to significant environmental regulations.

INDEMNIFICATION AND INSURANCE

During the financial year ended 30 June 2017, the Company indemnified its directors, the company secretary and executive officers in respect of any acts or omissions giving rise to a liability to another person (other than the Company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the Company indemnified the directors, the company secretary and executive officers against any liability incurred by them in their capacity as directors, company secretary or executive officers in successfully defending civil or criminal proceedings in relation to the Company. No monetary restriction was placed on this indemnity.

The Company has insured its directors, the company secretary and executive officers for the financial year ended 30 June 2017. Under the Company's Directors' and Officers' Liabilities Insurance Policy, the Company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

DIRECTORS' MEETINGS

The number of meetings of directors and meetings of committees of the board held during the year are set out below. Attendance by the directors at these meetings as relevant to each of them is as shown. It is the Company's practice to invite all directors to committee meetings irrespective of whether they are members.

Directors' meetings		Meetings of committees		
		Audit & Risk	Nomination	Remuneration
Number of meetings held:	8	3	1	2
Number of meetings attended:				
Geoffrey Kempler	8	3	1	2
Michael Sistenich	8	3	1	2
Megan Baldwin	8	3	1	2

Committee membership

During the year, the Company had Audit and Risk, Remuneration and Nomination committees. Members acting on the committees of the board during the year were:

Audit & Risk	Nomination	Remuneration
Michael Sistenich (Chairman)	Michael Sistenich (Chairman)	Michael Sistenich (Chairman)
Geoffrey Kempler	Geoffrey Kempler	Geoffrey Kempler

AUDITOR'S INDEPENDENCE DECLARATION

The directors have obtained a declaration of independence from Deloitte Touche Tohmatsu, the Company's auditors, which is set out on page 28 and forms part of the directors' report for the financial year ended 30 June 2017.

PROCEEDINGS ON BEHALF OF THE COMPANY

There were no persons applying for leave under section 237 of the Corporations Act 2001 to bring, or intervene in, proceedings on behalf of the Company.

CORPORATE GOVERNANCE

The board aims to achieve and show the highest standards of corporate governance. The Company has adopted the third edition of the Corporate Governance Principles and Recommendations. These were released by the ASX Corporate Governance Council on 27 March 2014. They became effective for financial years beginning on or after 1 July 2014.

The board approved the 2017 Corporate Governance Statement on 30 August 2017. The Corporate Governance Statement is available on Opthea Limited's web site at http://www.opthea.com/pub/pdf/Opthea_CorporateGovernanceStatement2017.pdf

CURRENT THERAPIES
FOR WET AMD TARGET
VEGF-A ONLY.
OPTHEA'S OPT-302
IS A NOVEL THERAPY
TARGETING VEGF-C
AND VEGF-D

REMUNERATION REPORT - AUDITED

Principles of compensation

Compensation packages include a mix of fixed and variable compensation and long-term performance based incentives.

Fixed compensation

The level of fixed remuneration is set to provide a base level of compensation which is both appropriate to the position and is competitive in the market. The remuneration committee accesses external advice independent of management if required.

Fixed compensation comprises salary and superannuation and is reviewed every 12 months by the remuneration committee.

Performance linked compensation

Short Term Incentives (STI): The objective of STI is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level that provides sufficient incentive to the executive to achieve the operational targets at a cost to the Company that is reasonable in the circumstances.

Actual STI payments in the form of cash bonuses to key management personnel (KMP) depend on the extent to which specific targets set at the beginning of the financial year (or shortly thereafter) are met. The targets consist of a number of Key Performance Indicators (KPIs) covering corporate objectives and individual measures of performance. Individual KPIs are linked to the Company's development plans.

On an annual basis, after consideration of performance against KPIs, the remuneration committee determines the amount, if any, of the STI to be paid to KMP. Payments of the STI bonus are made in the following reporting period.

The remuneration committee considered the STI payment for the 2017 financial year in June 2017. Based on the achievement of operational objectives in the financial year, the remuneration committee has determined there will be \$383,750 STI bonus paid to KMP for the 2017 financial year (2016: \$233,750).

Long term incentive plan (LTIP): The objective of the LTIP is to reward KMP in a manner that aligns this element of compensation with the creation of shareholder wealth. LTIP grants are made to KMP and employees who are able to influence the generation of shareholder wealth and have a direct impact on the Company's performance and development. Option vesting conditions are based on continued service to the Company by the KMP.

The Company implemented an LTIP to attract, retain and motivate eligible employees, essential to the continued growth and development of the Company. The LTIP was approved by shareholders at the Company's 2014 AGM. The limit of the Company's share capital to be granted under the LTIP was increased to 10% at the 2016 EGM.

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current and previous four financial years.

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Revenue	573,421	765,274	939,008	878,083	1,153,687
Loss before tax	(9,360,808)	(8,100,978)	(8,121,254)	(6,849,021)	(6,562,515)
Tax benefit	3,167,912	1,569,204	2,720,260	2,859,403	1,558,009
Loss after tax	(6,192,896)	(6,531,774)	(5,400,994)	(3,989,618)	(5,004,506)
	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Basic loss per share	(0.04)	(0.04)	(0.05)	(0.08)	(0.10)
NTA backing per share @ 30 June	0.27	0.10	0.15	0.22	0.33
Opthea share price @ 30 June	0.75	0.50	0.19	0.19	0.23

Change in share price is one of the financial performance targets considered in setting STI.

Service contracts

Dr Megan Baldwin, CEO and Managing Director, is employed under an ongoing contract that commenced on 24 February 2014. Under the terms of the present contract (including any subsequent board approvals relating to fixed remuneration) Megan:

- Receives fixed remuneration of \$350,000 per annum from 1 July 2015.
- May resign from her position and thus terminate this contract by giving three months' notice.

On resignation, any unvested LTI options or conditional rights will be forfeited. The Company may terminate this employment agreement by providing:

- 3 months' notice; or
- Payment in lieu of the notice period (as detailed above) based on the fixed component of Megan's remuneration.

On termination notice by the Company, any LTIP options that have vested or that will vest during the notice period will be released. Options granted that have not yet vested will be forfeited.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Megan is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately be forfeited.

The CFO and Company Secretary has an ongoing contract. The Company may terminate the employment agreement by providing three months' notice or providing payment in lieu of the notice period (based on the fixed component of remuneration).

The Company may terminate Mike Tonroe's contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

Non-executive directors

The base non-executive director fee for Chairman is \$90,405 per annum and \$60,000 per annum for other non-executive directors. Base fees cover all main board activities and membership of all board committees.

Non-executive directors are not provided with retirement benefits apart from statutory superannuation.

The Company implemented a non-executive director share and option plan (NED Plan) following its approval at the 2014 AGM. Under the NED Plan, present and future non-executive directors may:

- elect to receive newly issued ordinary shares (Shares) or options to acquire newly issued Shares in lieu of receiving some or all of their entitlement to their director's existing cash remuneration (in accordance with article 61.8 of the Company's constitution);
- be awarded newly issued Shares or options to acquire newly issued Shares in lieu of additional cash remuneration in respect of services provided to the Company which in the opinion of the Board are outside the scope of the ordinary duties of the relevant director (in accordance with article 61.5 of the Company's constitution); and/or
- otherwise be awarded newly issued Shares or options to acquire newly issued Shares as part of the directors' remuneration in addition to any existing cash remuneration paid to directors (if any).

Advantages of the NED Plan are that it:

- assists the Company in preserving its cash for use towards advancing the Company's lead molecule, OPT-302, through Phase 2 clinical studies;
- gives non-executive directors an opportunity to demonstrate their commitment and support for the Company through sacrificing some or all of their director's fees for Shares or options in Opthea; and
- provides the Company with further flexibility in the design of the directors' remuneration packages and in turn assists the Company with retaining existing directors and attracting new additional directors with the relevant experience and expertise, in both cases to further advance the prospects of the Company.

Directors' and executive officers remuneration

Details of the nature and amount of each major element of remuneration of each director and key management personnel of the Company are:

		Short Term		Post Employment	Long Term	Termination benefits	Share-based payment	Total	Total performance related
		Salary & Fees	Cash bonus ³	Superannuation	Long Service Leave	Termination Pay	Options		
		\$	\$	\$	\$	\$	\$	\$	%
Non-Executive directors:									
Geoffrey Kempler ¹	2017	90,405	-	8,589	-	-	150,558	249,552	60%
	2016	52,738	-	5,010	-	-	185,346	243,094	76%
Michael Sistenich ¹	2017	60,000	-	5,700	-	-	75,279	140,979	53%
	2016	35,000	-	3,325	-	-	92,673	130,998	71%
Dominique Fisher ²	2017	-	-	-	-	-	-	-	-
	2016	33,335	-	3,167	-	-	-	36,502	-
Russell Howard ²	2017	-	-	-	-	-	-	-	-
	2016	21,250	-	2,019	-	-	-	23,269	-
Tina McMeckan ²	2017	-	-	-	-	-	-	-	-
	2016	21,250	-	2,019	-	-	-	23,269	-
Sub-total									
Non-executive directors	2017	150,405	-	14,289	-	-	225,837	390,531	58%
	2016	163,573	-	15,540	-	-	278,019	457,132	61%
Executive directors:									
Megan Baldwin	2017	350,000	325,000	49,875	-	-	301,116	1,025,991	61%
	2016	350,000	175,000	47,500	-	-	370,693	943,193	58%
Other Key Management Personnel:									
Mike Tonroe	2017	235,000	58,750	27,906	-	-	101,908	423,564	38%
	2016	235,000	58,750	26,629	-	-	35,771	356,150	27%
Totals	2017	735,405	383,750	92,070	-	-	628,861	1,840,086	55%
	2016	748,573	233,750	89,669	-	-	684,483	1,756,475	52%

1 Appointed on 30 November 2015: remuneration in 2016 is for seven months of service.

2 Resigned on 30 November 2015: remuneration in 2016 is for five months of service.

3 Bonuses are paid in the financial year following the year in which they are earned.

Equity instruments

All options refer to options over ordinary shares of Opthea Limited which are exercisable on a one-for-one basis under the Long Term Incentive (LTIP) and Non-executive share and options (NED) plans.

Options over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to KMP during the reporting period and details of options that vested during the reporting period are as follows:

During the financial year						
Name	Number of options granted	Grant date	Fair value per option at grant date	Exercise price per option \$	Expiry date	Number of options vested
Megan Baldwin	4,000,000	7 March 2016	0.19	0.48	7 March 2021	2,640,000
Geoffrey Kempler	2,000,000	7 March 2016	0.19	0.48	7 March 2021	1,320,000
Michael Sistenich	1,000,000	7 March 2016	0.19	0.48	7 March 2021	660,000
Mike Tonroe	800,000	31 March 2016	0.24	0.48	31 March 2022	264,000

All options expire on the earlier of their expiry date or termination of the individual's employment. Option vesting is conditional on the individual being employed or in office. The options are exercisable up to three years after they vest.

Exercise of options granted as compensation

During the reporting period the following shares were issued on the exercise of options previously granted as compensation:

	Number of shares	Amount paid \$/share
Megan Baldwin	2017	-
	2016	1,500,000

Details of options affecting current and future remuneration

Details of vesting profiles of the options held by each KMP of the Company are:

	Number of options	Grant date	% vested in the year	% forfeited in year ¹	Financial years in which grant vests	Vesting Conditions
Megan Baldwin	1,320,000	7 March 2016	100%	0%	1 July 2015	Continued service
	1,320,000	7 March 2016	100%	0%	1 July 2016	
	1,360,000	7 March 2016	0%	0%	1 July 2017	
Geoffrey Kempler	660,000	7 March 2016	100%	0%	1 July 2015	Continued service
	660,000	7 March 2016	100%	0%	1 July 2016	
	680,000	7 March 2016	0%	0%	1 July 2017	
Michael Sistenich	330,000	7 March 2016	100%	0%	1 July 2015	Continued service
	330,000	7 March 2016	100%	0%	1 July 2016	
	340,000	7 March 2016	0%	0%	1 July 2017	
Mike Tonroe	264,000	31 March 2016	100%	0%	1 July 2016	Continued service
	264,000	31 March 2016	0%	0%	1 July 2017	
	272,000	31 March 2016	0%	0%	1 July 2018	

¹ The percentage forfeited in the year represents the reduction from the maximum number of options available to vest due to vesting criteria not being achieved.

Analysis of movements in equity instruments

The value of options over ordinary shares in the Company granted and exercised by each KMP during the reporting period is detailed below:

	Granted in year \$ ¹		Value of options exercised in year \$ ²	
	2017	2016	2017	2016
Geoffrey Kempler	-	380,171	-	-
Michael Sistenich	-	190,086	-	-
Megan Baldwin	-	760,342	-	285,000
Mike Tonroe	-	191,381	-	-

1 The value of options granted in the year is the fair value of the options at the grant date. This amount is allocated to remuneration over the vesting period.

2 The value of options exercised during the year is calculated as the market price of shares of the Company at the close of trading on the date the options were exercised.

Options over equity instruments

The movement during the reporting period by number of rights and options over ordinary shares in Opthea Limited held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Number of options:		Held at 1 July	Granted as compensation	Options exercised	Lapsed	Forfeited	Held at 30 June	Vested	Vested and exercisable
								during the year	
Megan Baldwin	2017	4,000,000	-	-	-	-	4,000,000	1,320,000	2,640,000
	2016	1,500,000	4,000,000	(1,500,000)	-	-	4,000,000	1,320,000	1,320,000
Geoffrey Kempler	2017	2,000,000	-	-	-	-	2,000,000	660,000	1,320,000
	2016	-	2,000,000	-	-	-	2,000,000	660,000	660,000
Michael Sistenich	2017	1,000,000	-	-	-	-	1,000,000	330,000	660,000
	2016	-	1,000,000	-	-	-	1,000,000	330,000	330,000
Dominique Fisher	2017	-	-	-	-	-	-	-	-
	2016	600,000	-	(600,000)	-	-	-	-	-
Other executives									
Mike Tonroe	2017	800,000	-	-	-	-	800,000	264,000	264,000
	2016	-	800,000	-	-	-	800,000	-	-
Total	2017	7,800,000	-	-	-	-	7,800,000	2,574,000	4,884,000
	2016	2,100,000	7,800,000	(2,100,000)	-	-	7,800,000	2,310,000	2,310,000

KEY MANAGEMENT PERSONNEL TRANSACTIONS

Movements in shares

The movement during the reporting period in the number of ordinary shares in Opthea Limited held, directly, indirectly or beneficially, by each KMP including their related parties is as follows:

Number of Ordinary Shares:		Balance at beginning of period 1 July	Granted as remuneration	On Exercise of Options	Purchased in the year	Appointed/ (resigned) during the year	Balance at end of period 30 June
Non-executive directors							
Geoffrey Kempler	2017	574,429	-	-	40,817	-	615,246
	2016	-	-	-	-	574,429	574,429
Michael Sistenich	2017	320,000	-	-	200,178	-	520,178
	2016	-	-	-	-	320,000	320,000
Dominique Fisher	2017	-	-	-	-	-	-
	2016	234,500	-	600,000	-	(834,500)	-
Tina McMeekan	2017	-	-	-	-	-	-
	2016	140,000	-	-	-	(140,000)	-
Russell Howard	2017	-	-	-	-	-	-
	2016	187,517	-	-	-	(187,517)	-
Executives							
Megan Baldwin	2017	1,533,674	-	-	109,549	-	1,643,223
	2016	33,674	-	1,500,000	-	-	1,533,674
Mike Tonroe	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
Total	2017	2,428,103	-	-	350,544	-	2,778,647
	2016	595,691	-	2,100,000	-	(267,588)	2,428,103

This report has been signed in accordance with a resolution of the directors made pursuant to S.298 (2) of the Corporations Act 2001 on 30 August 2017.

For and on behalf of the board:



Megan Baldwin

CEO & Managing Director
Opthea Limited

Melbourne
30 August 2017

Deloitte.

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The Board of Directors
Opthea Limited
Suite 0403, Level 4,
650 Chapel Street
SOUTH YARRA VIC 3141

30 August 2017

Dear Board Members

Opthea Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Opthea Limited.

As lead audit partner for the audit of the financial statements of Opthea Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



WE'RE LOOKING FORWARD
TO EXECUTING ON OUR
STRATEGY TO DEVELOP
OPT-302 AS A NOVEL
THERAPY FOR WET
AMD AND INITIATING
A CLINICAL TRIAL IN
DIABETIC MACULAR
EDEMA PATIENTS.

MANAGEMENT TEAM



Megan Baldwin, PhD, MAICD

Chief Executive Officer
and Managing Director

Dr Megan Baldwin has been appointed CEO and Managing Director effective 24 February 2014. Dr Baldwin brings over 20 years of experience focusing on angiogenesis and therapeutic strategies for ophthalmic and cancer indications. Since joining Opthea in 2008, she has held various positions, including Head of Preclinical R&D and Chief Executive Officer of Opthea Pty Ltd, the 100% owned subsidiary of Opthea, developing OPT-302 for the treatment of wet age-related macular degeneration. Prior to joining Opthea, Dr Baldwin was employed at Genentech (now Roche), the world leader in the field of angiogenesis-based therapies for cancer and other diseases. Her experience included several years as a researcher in the group of leading angiogenesis expert Napoleone Ferrara, before moving to Genentech's commercial division and having responsibility for corporate competitive intelligence activities. In these roles, she developed extensive commercial and scientific knowledge in the field of anti-angiogenic and oncology drug development. Megan holds a PhD in Medicine from the University of Melbourne, having conducted her doctoral studies at the Ludwig Institute for Cancer Research and is a member of the Australian Institute of Company Directors.



Mike Tonroe, BSc(Hons), ACA, MAICD

Chief Financial Officer
and Company Secretary

Mike Tonroe is a Chartered Accountant and was appointed Chief Financial Officer and Company Secretary in May 2014 and is accountable directly to the board, through the chair, on all matters to do with the proper functioning of Opthea's board. Prior to joining Opthea, Mike was the Chief Financial Officer and Company Secretary at the Australian Synchrotron in Melbourne. Mike has over 20 years' experience of financial management in board-level positions for private and listed companies in Australia, UK, the US and Canada. Mike holds a Graduate Degree in Business Studies from Buckingham University and is a member of the Australian Institute of Company Directors. Mike is also the Company Secretary for all of the Company's subsidiaries.



Richard Chadwick, PhD
Head of Intellectual Property

Richard Chadwick, who joined Opthea in February 2008, is qualified as both a European and Australian patent attorney. Richard joined Opthea from FB Rice & Co, where he had been working for five years in the Biotechnology Group. Prior to that, Richard had 10 years' experience in intellectual property in the UK. This included working as an in-house attorney at Dow Corning Limited and five years working as an in-house attorney at Unilever.



Mike Gerometta, PhD
Head of CMC Development

Mike Gerometta has been with Opthea since December 2008 and is principally responsible for the outsourcing of Opthea's research and cGMP manufacturing activities. Mike has over 20 years' experience in the Australian biotechnology industry, most recently as Chief Operating Officer of Q-Gen, QIMR's translational research, manufacturing arm. He has also spent 19 years at Agen Biomedical, occupying a variety of positions and roles, most recently as Research and Product Development Director. In this role he was responsible for the chemistry, manufacturing and controls (CMC), pre-clinical program and patent management for Agen's ThromboView[®] project, a blood clot imaging agent. Previously, he has worked at Biotech Australia, Sydney, and together with earlier positions at Agen, developed numerous successful immunodiagnostic assays for the medical, veterinary and food industries across various diagnostic platforms for the laboratory and point-of-care. He was awarded his PhD in biotechnology from the Queensland University of Technology and has a degree in chemistry from the University of Technology in Sydney.



Ian Leitch, PhD

Director – Clinical Research

Ian Leitch has been Director of Clinical Research of Opthea Technologies Ltd since September 2011. He has over 15 years of research and management experience from drug discovery through clinical development in biotechnology/pharmaceutical companies. For the five years prior to joining Opthea, he was a member of the Medical Sciences group at Amgen Inc in Thousand Oaks, California, involved in the development of novel therapeutics in Amgen's oncology pipeline. In his role as Senior Manager in the Early Development Oncology Therapeutic Area, he had responsibility for the oversight, design, management and execution of Phase 1–2 clinical studies in oncology. Prior to joining Amgen, he spent eight years at Miravant Medical Technologies in Santa Barbara, California. He held positions of increasing responsibility, including Senior Program Manager for Cardiovascular Research and Clinical Study Director for Ophthalmology. At Miravant, he managed pre-clinical efficacy studies, developed relationships with Key Opinion Leaders and designed Phase 1–2 clinical studies in a collaboration with the cardiovascular device company Guidant Inc. He previously held the position of NHMRC Senior Research Officer at the University of Newcastle, and was based at the John Hunter Hospital in Australia. He received his PhD from the Department of Pharmacology, Faculty of Medicine, at Monash University in 1993 and completed part of the degree at the University of California, Santa Barbara, as part of an Education Abroad Program Scholarship.



Clare Price

Director – Clinical Research

Clare Price was appointed Director of Clinical Research at Opthea in July 2016, and brings over 20 years of clinical and drug development experience to the company. Clare started her career in the main R&D function of SmithKline Beecham in Harlow, UK. She spent over 8 years in various clinical roles within the company with responsibility for the design, management and execution of clinical studies from phase 1 to 3 across a number of therapeutic areas. For the remaining three years Clare formed part of the project management group of the newly merged GlaxoSmithKline, responsible for the project management of full drug development programs from molecule inception through non-clinical and clinical studies, regulatory aspects and commercialisation. She then moved to Melbourne, where she has held senior clinical roles in two ASX-listed biotechnology companies, firstly Acrux, and then Starpharma. Over the nine years that Clare spent at Starpharma she successfully built, implemented and delivered phase 2 and 3 clinical programmes, including extensive regulatory interaction and negotiation, which led to the successful commercialisation of the lead candidate product. Clare is a registered pharmacist, with a degree in Pharmacy, from the University of Bath in the UK.



OPTHEA ATTENDED
THE 35TH ANNUAL
J.P. MORGAN CONFERENCE
IN SAN FRANCISCO,
JANUARY 2017.

THE CONFERENCE
ATTRACTS INVESTORS AS
WELL AS PHARMACEUTICAL
AND BIOTECHNOLOGY
EXECUTIVES FROM AROUND
THE WORLD AND IS ONE OF
THE INDUSTRY'S LARGEST
HEALTHCARE INVESTMENT
CONFERENCES.



IN 2010, THE TOTAL
ECONOMIC COST OF
VISION LOSS ASSOCIATED
WITH AMD WAS IN
EXCESS OF \$5 BILLION.



THIS INCLUDES HEALTH
SYSTEM COSTS, OTHER
COSTS TO INDIVIDUALS
AND COMMUNITY AND
LOSS OF WELL BEING.

2016 — 17

FINANCIAL REPORT

ABN 32 006 340 567

Opthea Limited

Year ended 30 June 2017

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Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Finance revenue		500,162	435,970
Other revenue		73,259	329,304
Revenue	7	573,421	765,274
Other income	8	1,601	15,443
Research and development expenses	9	(4,838,300)	(3,581,295)
Patent expenses		(171,617)	(254,298)
Intellectual property costs		(85,847)	(94,114)
Administrative expenses	10	(4,695,962)	(4,048,778)
Occupancy expenses	10	(107,921)	(106,470)
Impairment losses on available-for-sale financial assets		-	(895,808)
Gain on disposal of subsidiary		2,521	168,082
Net foreign exchange loss		(38,704)	(69,014)
Loss before income tax		(9,360,808)	(8,100,978)
Income tax benefit	11	3,167,912	1,569,204
Loss for the year		(6,192,896)	(6,531,774)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Unrealised gains/(losses) on available for sale assets		832,326	(1,405,115)
Impairment of available for sale assets		-	895,808
Disposal of available for sale assets		-	198,451
Other comprehensive income/(loss) for the period, net of tax		832,326	(310,856)
Total comprehensive loss for the period		(5,360,570)	(6,842,630)
Loss for the period is attributable to:			
Non-controlling interests	28	-	(24,354)
Owners of the parent	22	(6,192,896)	(6,507,420)
		(6,192,896)	(6,531,774)
Total comprehensive loss for the period is attributable to:			
Non-controlling interests		-	(101,631)
Owners of the parent		(5,360,570)	(6,740,999)
		(5,360,570)	(6,842,630)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
- Basic and diluted loss per share (cents)	12	(3.84)	(4.33)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	13	51,959,906	14,486,403
Current tax receivable	11	2,709,765	1,586,990
Investment in subsidiary	15	-	169,101
Receivables	14	508,966	221,010
Prepayments		153,957	182,036
Total current assets		55,332,594	16,645,540
Non-current assets			
Available-for-sale financial assets	16	1,148,236	315,910
Plant and equipment	17	63,837	91,150
Total non-current assets		1,212,073	407,060
Total assets		56,544,667	17,052,600
Liabilities			
Current liabilities			
Payables	18	1,603,075	1,629,976
Provisions	19	399,670	361,206
Other financial liabilities		-	21,004
Total current liabilities		2,002,745	2,012,186
Non-current liabilities			
Provisions	20	24,804	16,826
Other liabilities		25,154	45,434
Total non-current liabilities		49,958	62,260
Total liabilities		2,052,703	2,074,446
Net assets		54,491,964	14,978,154
Equity			
Contributed equity	21	97,853,499	53,844,979
Accumulated losses	22	(48,247,759)	(42,054,863)
Reserves	22	4,886,224	3,188,038
Total equity		54,491,964	14,978,154

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity for the year ended 30 June 2017

	Note	Contributed equity \$	Options reserve \$
As at 1 July 2015		53,840,767	1,989,067
Unrealised losses on available for sale assets*	22	-	-
Impairment of available for sale assets		-	-
Disposal of available for sale assets		-	-
Loss for the year*		-	-
Total comprehensive income and expense for the period		-	-
Transfer of equity reserve to accumulated losses reserve		-	-
Change in interest in subsidiary		-	-
Recognition of share-based payment	22	-	-
Issue of ordinary shares and share options	21	4,212	-
Balance at 30 June 2016		53,844,979	1,989,067
As at 1 July 2016		53,844,979	1,989,067
Unrealised gains on available for sale assets*	22	-	-
Loss for the year*		-	-
Total comprehensive income and expense for the period		-	-
Recognition of share-based payment	22	-	-
Issue of ordinary shares and share options net of share issue costs and tax	21	44,008,520	-
Balance at 30 June 2017		97,853,499	1,989,067

* Amounts are after tax

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Share-based payments reserve \$	Equity reserve- parent \$	Unrealised gains reserve \$	Accumulated losses \$	Attributable to owners of the parent \$	Non- controlling interests \$	Total equity \$
388,040	(7,172,143)	233,579	(28,375,300)	20,904,010	817,602	21,721,612
-	-	(1,327,838)	-	(1,327,838)	(77,277)	(1,405,115)
-	-	895,808	-	895,808	-	895,808
-	-	198,451	-	198,451	-	198,451
-	-	-	(6,507,420)	(6,507,420)	(24,354)	(6,531,774)
-	-	(233,579)	(6,507,420)	(6,740,999)	(101,631)	(6,842,630)
-	7,172,143	-	(7,172,143)	-	-	-
-	-	-	-	-	(715,971)	(715,971)
810,931	-	-	-	810,931	-	810,931
-	-	-	-	4,212	-	4,212
1,198,971	-	-	(42,054,863)	14,978,154	-	14,978,154
1,198,971	-	-	(42,054,863)	14,978,154	-	14,978,154
-	-	832,326	-	832,326	-	832,326
-	-	-	(6,192,896)	(6,192,896)	-	(6,192,896)
-	-	832,326	(6,192,896)	(5,360,570)	-	(5,360,570)
865,860	-	-	-	865,860	-	865,860
-	-	-	-	44,008,520	-	44,008,520
2,064,831	-	832,326	(48,247,759)	54,491,964	-	54,491,964

Consolidated statement of cash flows for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Interest received		273,259	471,615
Royalty and licence income received		85,655	324,876
Sales of reagents		1,601	8,338
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(9,049,506)	(7,580,567)
Income tax refund		2,643,553	3,094,502
Net cash flows used in operating activities	25	(6,045,438)	(3,681,236)
Cash flows from investing activities			
Proceeds from sale of investments		-	13,440
Cash received/(outflow) on disposal of subsidiary		171,622	(204,911)
Purchase of plant and equipment		(3,077)	(11,725)
Net cash flows provided by/(used in) investing activities		168,545	(203,196)
Cash flows from financing activities			
Ordinary shares issued through an entitlement offer		10,075,479	-
Ordinary shares issued through a new placement		35,260,371	-
Ordinary shares issued on exercise of options		447,969	4,212
Payment of share issue costs		(2,373,715)	-
Net cash flows provided by financing activities		43,410,104	4,212
Net increase/(decrease) in cash and cash equivalents		37,533,211	(3,880,220)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(59,708)	(69,014)
Cash and cash equivalents at beginning of year		14,486,403	18,435,637
Cash and cash equivalents at the end of the year	13	51,959,906	14,486,403

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. Reporting entity

Opthea Limited (the Company) is a listed public company incorporated in Australia. The address of its registered office and principal place of business is: Suite 0403, Level 4, 650 Chapel Street, South Yarra, VIC 3141, Australia. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the Group).

The Company's principal activity is the development of new drugs for the treatment of eye diseases.

2. Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 August 2017.

3. Summary of accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the investments classified as available-for-sale, which have been measured at fair value. All amounts are presented in Australian dollars.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

Foreign currency translation

i. *Functional and presentation currency*

Both the functional and presentation currency of Opthea Limited and its Australian subsidiaries is Australian dollars (\$).

ii. *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Current receivables

Receivables generally comprise bank interest receivable, other receivable from external parties and GST credits receivable, and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The amounts are usually received within 30-60 days of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

Investments and other financial assets

Investments and financial assets are classified as available-for-sale investments, or loans and receivables as appropriate, in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

i. *Available-for-sale investments*

Available-for-sale investments comprise of the Group's non-current investments in listed companies. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method and have been calculated by discounting the principal amounts over the relevant term using the relevant LIBOR rate which matches that term as closely as possible. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Non-current receivables comprise loans receivable from subsidiaries which are not interest bearing. The parent has agreed that the loans with its subsidiaries will not be recalled for a period of 12 months from the date the directors adopt the relevant annual financial statements of the Group, parent and subsidiaries.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

i. Available-for-sale investments

If there is objective evidence (i.e. significant or prolonged decline in quoted market bid prices) that an available-for-sale investment is impaired, an amount comprising of the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from equity to profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised.

ii. Financial assets carried at amortised cost

Loans receivable from subsidiaries in the parent's accounts are financial assets carried at amortised cost. If there is objective evidence that an impairment loss on intercompany loans receivable carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

The Group firstly assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and secondly individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the cumulative impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Investments in subsidiaries

Investments in subsidiaries are carried at cost. If there is objective evidence that an impairment loss has been incurred on investments in subsidiaries, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over their useful economic lives as follows:

- Equipment and furniture - 3 to 10 years
- Leasehold improvements - 8 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Notes to the Consolidated Financial Statements

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

The Group held no finance leases during the 2017 and 2016 financial years.

Impairment of non-financial assets other than goodwill

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the policy relating to impairment regarding investments in associates, see note above.

Opthea Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflow from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Intangible assets

Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intellectual property costs

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

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an internal project will only be recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Payables

Payables are carried at amortised cost and due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions and employee benefits

i. Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

ii. Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

The Group provides benefits to directors and employees (including key management personnel) of the Group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Binomial and Monte Carlo simulation models are used to value the options issued.

The cost of the equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent report date until vesting, the cumulative charge to profit or loss is the product of:

- i. the grant date fair value of the award;
- ii. the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period; and
- iii. the expired portion of the vesting period.

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are met.

Where the terms of the equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. There is, however no dilutive effect when there is a loss per share.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Interest revenue

Almost all of the Group's interest revenue is earned on short-term bank deposits and as such interest revenue is recognised when the Group's right to receive the payment is established.

ii. Royalty fee and licence fee revenue

Royalty fee and licence fee revenue is recognised when earned.

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associate or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets (or credits) and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in profit or loss.

Tax consolidation legislation

The head entity, Opthea Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. Members of the tax consolidated group have adopted the “separate taxpayer within group” method to allocate the current and deferred tax amounts to each entity within the Group. This method requires adjustments for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

In addition to its own current and deferred tax amounts, Opthea Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The head entity, which is the parent entity, in assuming the net unused tax losses and unused relevant tax credits, has recognised reductions to investments in subsidiaries and where the amount of tax losses assumed is in excess of the carrying value of the investment, the parent has recognised the difference as a distribution from subsidiary in profit or loss.

Other taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

Earnings per share

Diluted earnings per share is calculated as net profit/loss divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. Whilst the deferred shares would generally be included in the calculation as their conditions of issuance are known to be satisfied, due to there being a loss for the current year, these instruments would be anti-dilutive (decrease the loss per share). Accordingly they have been excluded from the calculation, resulting in basic earnings/(loss) per share being the same as the diluted value per share.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

4.1 Critical judgements in applying accounting policies

Research and development costs

The majority of Opthea's expenditure is incurred as a result of clinical trials for OPT-302. In April 2017, Opthea successfully completed a Phase 1/2A clinical trial and commenced planning activities for a Phase 2B wet AMD and a Phase 2A DME study. A key measure of Opthea's performance is the level of expenditure incurred on the research of OPT-302. The authorisation and classification of expenses requires judgement as the cash assets of the Group are primarily expended in the research of OPT-302. The Company has controls in place to ensure expenses are:

- correctly classified and disclosed, and
- appropriately approved.

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

No development costs were capitalised during the current year.

Impairment of available-for-sale assets

The Group holds available-for-sale financial assets and follows the requirements of AASB 139 Financial Instruments: Recognition and Measurement in determining when an available-for-sale asset is impaired. For the year ended 30 June 2017, no impairments (2016: \$895,808) have been recognised for available-for-sale financial assets.

Taxation

The Group's accounting policy for taxation requires management judgements as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses.

Notes to the Consolidated Financial Statements

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to profit or loss.

4.2 Key sources of estimation uncertainty

Valuation of investments

The Group has classified investments in listed securities as 'available-for-sale' investments and movements in fair value are recognised directly in equity, unless considered impaired. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Fair values are determined internally using Binomial models. The related assumptions are detailed in note 30. The accounting estimates and assumptions relating to equity-settled share-based payments have no impact on the carrying amounts of assets and liabilities in future reporting periods but may impact expenses and equity.

5. Application of new and revised Accounting Standards

Amendments to AASBs and the new interpretation that are mandatorily effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Impact of the application of AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation': The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. As the Group already uses the straight-line method for depreciation of its property, plant and equipment, the application of these amendments has had no impact on the Group's consolidated financial statements.

Impacts of the Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various Accounting Standards. Those that are relevant to the Group are summarised below:

- The amendments to AASB 119 Employee Benefits clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid).

- The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. The application of these amendments has had no effect on the Group's consolidated financial statements.

Impact of the application of AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101': The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards to the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

Standards and interpretations in issue not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

Notes to the Consolidated Financial Statements

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. The Group earned royalties and licence fees from its intellectual property portfolio during the year. The amount disclosed in the accounts would not be materially affected if IFRS 15 were applied in the 2017 financial year.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 30 June 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements. The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 on 1 July 2018.

The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at 30 June 2017.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 30 June 2017, would have had a material impact on its accounting for receivables and investments in equity securities that are managed on a fair value basis.

At 30 June 2017, the Group had equity investments classified as available-for-sale with a fair value of \$1,148,236 that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard.

Transition

The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 July 2018.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group currently plans to apply IFRS 16 initially on 1 July 2019. The Group has started an initial assessment of the potential impact on its consolidated financial statements. The amounts disclosed in the accounts would not be materially different if IFRS 16 were applied in the 2017 financial year.

The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of office facilities. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The Group has not yet determined which transition approach to apply.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

6. Segment information

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

The Group is a biologics drug developer building on its significant intellectual property portfolio around Vascular Endothelial Growth Factor (VEGF) C and D (angiogenic molecules) and R3. The Group is focused primarily on developing biological therapeutics for eye diseases.

The chief executive officer regularly reviews entity wide information that is compliant with Australian Accounting Standards. There is only one segment for segment reporting purposes and the information reviewed by the chief executive officer is the same as the information presented in the financial statements.

Notes to the Consolidated Financial Statements

7. Revenue

	2017 \$	2016 \$
(a) Finance revenue		
Interest from:		
- Bank	500,162	435,970
	500,162	435,970
(b) Other revenue		
Royalties and licence fees	73,259	329,304
Total revenue	573,421	765,274

8. Other income

	2017 \$	2016 \$
Net gain on disposal of available-for-sale investments	-	7,105
Other	1,601	8,338
Total other income	1,601	15,443

9. Research and development expenses

	2017 \$	2016 \$
Research project costs ¹	4,838,300	3,581,295
Total research and development expenses	4,838,300	3,581,295

1 The research project costs relate to the development programs in respect to the treatment of eye diseases by OPT-302.

10. Expenses

	2017 \$	2016 \$
(a) Impairment losses		
Listed financial investments	-	895,808
(b) Occupancy expenses		
Operating lease rentals	78,199	78,339
Outgoings	29,722	28,131
Total occupancy expense	107,921	106,470
(c) Administrative expenses		
Depreciation of:		
Equipment and furniture	13,420	17,597
Leasehold improvements	13,194	13,194
Total depreciation expense	26,614	30,791
Loss on disposal of non-current assets	3,776	-
Employee benefits expenses:		
Salaries and fees	1,788,441	1,722,489
Cash bonuses	545,946	335,440
Superannuation	199,953	189,287
Share-based payments expense	865,860	770,557
Total employee benefits expense	3,400,200	3,017,773
Other expenses:		
Travel expenses	85,046	44,361
Insurance	158,892	90,255
Consultancy fees	11,250	82,978
Legal fees	78,810	61,071
Payroll tax	92,225	97,112
Investor relations costs	401,673	331,222
Audit and accounting	137,425	137,751
Other expenses	300,051	155,464
Total other expenses	1,265,372	1,000,214
Total administrative expenses	4,695,962	4,048,778

Notes to the Consolidated Financial Statements

11. Income tax

	2017 \$	2016 \$
(a) Income tax benefit		
The major components of income tax benefit are:		
Statement of Comprehensive Income		
<i>Current tax</i>		
Current income tax credit	2,709,765	1,586,990
Under recognition of prior year benefit ¹	1,056,563	(17,786)
	3,766,328	1,569,204
<i>Deferred tax</i>		
In respect of the current year	(598,416)	-
Total income tax benefit recognised in the statement of comprehensive income	3,167,912	1,569,204

¹ Relates to under recognition of R&D Tax incentive for the 2016 financial year. The Company received ATO acceptance of its advance finding application during the 2017 financial year which then allowed it to include overseas expenditure in its 2016 claim.

(b) Amounts charged or credited directly to equity

Deferred income tax related to items credited directly to equity

Share issue expenses deductible over 5 years	598,416	-
Income tax benefit reported in equity	598,416	-

(c) Current tax receivable

Research and Development Tax Incentive Credit receivable	2,709,765	1,586,990
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(d) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2017 \$	2016 \$
Accounting loss before tax	(9,360,808)	(8,100,978)
At the parent entity's statutory income tax rate of 30% (2016: 30%)	2,808,242	2,430,293
Research and development tax credit refundable	2,709,765	1,586,990
Write off of temporary differences and tax losses not recovered	(1,293,532)	(2,442,743)
Adjustments recognised in current year in relation to the current tax of prior year	(1,056,563)	(5,336)
Income tax benefit reported in the statement of comprehensive income	3,167,912	1,569,204

	2017 \$	2016 \$
(e) Recognised deferred tax assets and liabilities in statement of financial position		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities:		
Interest and royalty income receivable (future assessable income)	(160,927)	(133,806)
	(160,927)	(133,806)
Deferred tax assets:		
Other timing differences including income received in advance	196,078	51,979
Employee provisions	127,342	113,410
Temporary differences:		
Associated with intellectual property	-	1,771,563
Associated with other miscellaneous items	777,757	277,099
	1,101,177	2,214,051
Less: temporary differences not recognised	(940,251)	(2,080,245)
Net deferred tax recognised in the statement of financial position	-	-

(f) Unrecognised temporary differences

Temporary differences with respect to deferred tax assets associated with intellectual property and other miscellaneous items which have a low probability of realisation are unrecognised. These amounted to \$940,251 at year end (2016: \$2,080,245).

Notes to the Consolidated Financial Statements

(g) Tax consolidation

(i) Members of the tax consolidated group

Opthea Limited and its 100% owned subsidiaries formed a tax consolidated group effective 1 July 2003. Opthea Limited is the head entity of the tax consolidated group.

(ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have adopted the "separate taxpayer within group" method to allocate the current and deferred tax amounts to each entity within the group.

(h) Carry forward unrecognised tax losses

The Group had income tax losses of \$14,427,258 and capital losses of \$877,704 at year end (2016: income tax losses of \$13,973,706 and capital losses of \$877,704) for which no deferred tax asset is recognised on the statement of financial position as they are currently not considered probable of realisation. These tax losses are available indefinitely for offset against future assessable income subject to continuing to meet relevant statutory tests.

(i) Franking credit balance

The franking account balance at the end of the financial year at 30% is \$330,630 (2016: \$330,630), which represents the amount of franking credits available for the subsequent financial year.

12. Earnings per share

	2017 \$	2016 \$
The following reflects the income used in the basic and diluted earnings per share computations:		
(a) Earnings used in calculating earnings per share		
Net loss attributable to ordinary equity holders of the parent	(6,192,896)	(6,507,420)
(b) Weighted average number of shares		
Weighted average number of ordinary shares on issue for basic earnings per share	161,229,036	150,197,213
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	161,229,036	150,197,213

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of this financial report.

Diluted earnings per share is calculated as net profit/(loss) divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. Although the options granted under the LTIP and NED Plan would generally be included in the calculation due to the conditions of the issuance being satisfied, because there is a loss in the current year, these instruments would be anti-dilutive (decrease the loss per share) and therefore have been excluded from the calculation. Therefore, the basic loss per share is the same as the diluted value per share.

13. Current assets - cash and cash equivalents

	2017 \$	2016 \$
Cash at bank and in hand	2,459,906	2,986,403
Short-term deposits	49,500,000	11,500,000
Total cash and cash equivalents	51,959,906	14,486,403

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short term-deposits are with a major bank and are made for varying periods of between 30 days and 90 days, depending on the immediate cash requirements of the Group, and earn interest at a fixed rate for the respective short-term deposit periods. At year end, the average rate was 2.54% (2016: 2.87%).

14. Current assets - receivables

	2017 \$	2016 \$
Interest receivable	246,118	19,215
GST receivable (i)	199,319	80,091
Other (i)	63,529	121,704
Total current receivables	508,966	221,010

(i) These receivables are non-interest bearing, most of which have repayment terms between 30 and 60 days. There are no receivables past due or considered impaired.

Notes to the Consolidated Financial Statements

15. Investment in subsidiary

During the 2016 financial year Syngene Limited, a 51.6% owned subsidiary, entered into a solvent members' voluntary liquidation. As a result, Opthea ceased to have control over the activities of Syngene and to consolidate it into its financial statements from 27 November 2015. This has also led to the elimination of the non-controlling interest in the consolidated reserves of the Group at 30 June 2016.

Analysis of assets and liabilities over which control was lost:

	2017 \$	2016 \$
Cash and cash equivalents	-	204,911
Available-for-sale financial assets	-	313,628
	-	518,539
Gain on disposal of subsidiary:		
Distribution received/receivable	2,521	169,101
Net assets disposed of	-	(518,539)
Non-controlling interests	-	715,971
Cumulative gain/loss on available-for-sale financial assets reclassified from equity on loss of control of subsidiary	-	(198,451)
Gain on disposal	2,521	168,082

16. Non-current assets - available-for-sale financial assets

	2017 \$	2016 \$
Listed Australian shares - at fair value	1,148,236	315,910

Details of listed Australian shares

	Ownership Interest		Fair value ¹		Cost of investment	
	2017 %	2016 %	2017 \$	2016 \$	2017 \$	2016 \$
Listed investments						
Non-current investments ²:						
Antisense Therapeutics Ltd	6.31%	5.77%	336,291	315,910	3,106,944	3,106,944
Optiscan Imaging Limited	2.20%	2.66%	811,945	-	786,131	786,131
Total listed investments			1,148,236	315,910	3,893,075	3,893,075

1 The fair value represents the share (bid) price at year end, and does not include any capital gains tax or selling costs that may be applicable on the disposal of these investments.

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

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

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

2 A fair value increase of \$832,326 in the carrying value of investments (2016: impairment of investments of \$895,808) has been made through other comprehensive income in the year due to an increase in their market value in the year.

Details of the investments in subsidiaries are shown in note 24.

17. Non-current assets - plant and equipment

	2017 \$	2016 \$
Equipment and furniture at cost		
Opening balance	175,457	175,865
Additions	3,077	11,725
Disposals	(104,080)	(12,133)
Closing balance	74,454	175,457
Accumulated depreciation		
Opening balance	(124,403)	(118,939)
Depreciation for the year	(13,420)	(17,597)
Disposals	100,304	12,133
Closing balance	(37,519)	(124,403)
Net carrying amount	36,935	51,054
Leasehold improvements at cost		
Opening balance	79,165	79,165
Closing balance	79,165	79,165
Accumulated depreciation		
Opening balance	(39,069)	(25,875)
Depreciation for the year	(13,194)	(13,194)
Disposals	-	-
Closing balance	(52,263)	(39,069)
Net carrying amount	26,902	40,096
Total plant and equipment, net	63,837	91,150

Notes to the Consolidated Financial Statements

18. Current liabilities - payables

	2017 \$	2016 \$
Creditors (unsecured) ¹	1,555,773	1,584,034
PAYG tax liability	47,302	45,942
Total current payables	1,603,075	1,629,976

1. Creditors are non-interest bearing and are normally settled on 30 day terms.

19. Current liabilities - provisions

	2017 \$	2016 \$
Annual leave	253,559	209,083
Long service leave	146,111	152,123
Total current provisions	399,670	361,206

20. Non-current liabilities - provisions

	2017 \$	2016 \$
Long service leave	24,804	16,826

21. Contributed equity

	2017 \$	2016 \$
(a) Ordinary shares		
Issued and fully paid at 30 June	97,853,499	53,844,979
Movement in ordinary shares:		
Opening balance	53,844,979	53,840,767
Issue of shares	45,783,819	4,212
Share issue costs	(2,373,715)	-
Income tax relating to share issue costs	598,416	-
Transfer to option reserve	-	-
	97,853,499	53,844,979
Ordinary shares on issue:		
	No:	No:
Opening balance	150,205,903	148,090,303
Issue of shares on exercise of LTIP and NED plan options	50,000	2,100,000
Issue of shares	50,318,467	15,600
	200,574,370	150,205,903

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Issued capital at 30 June 2017 amounted to \$97,853,499 (200,574,370 fully paid ordinary shares) net of share issue costs, tax and amounts taken to the options reserve. During the year, the company converted 1,620,255 options to ordinary fully paid shares for \$447,969. At 30 June 2017, the company had on issue quoted options to purchase 48,136,842 ordinary shares with an exercise price of \$0.27 expiring on 25 November 2018. The fair value of the options at their issue date of \$1,989,067 has been recognised in the options reserve (note 22).

Share options

The company has two share based-payment schemes, the Long Term Incentive Plan and Non-Executive Director Share and Option Plan. Options to subscribe for the Company's shares have been granted under these plans to certain employees and directors. The company issued 9,725,000 share options over ordinary shares under these plans during 2016: none were issued during the current year. These share options had a weighted average fair value at their grant date of \$0.20 per share option.

(b) Capital management

The Group is not subject to any externally imposed capital requirements.

When managing share capital, management's objective is to ensure the entity continues as a going concern as well as to provide benefits to shareholders and for other stakeholders. In order to maintain or achieve an appropriate capital structure, the Company may issue new shares or reduce its share capital, subject to the provisions of the Company's constitution.

Notes to the Consolidated Financial Statements

22. Retaining earnings and reserves

	2017 \$	2016 \$
(a) Movements in retained earnings were as follows:		
Balance at 1 July	(42,054,863)	(28,375,300)
Net loss for the period	(6,192,896)	(6,507,420)
Transferred from Equity Reserve	-	(7,172,143)
Balance at 30 June	(48,247,759)	(42,054,863)
(b) Reserves		
Net unrealised gains reserve (i)	832,326	-
Share-based payments reserve (ii)	2,064,831	1,198,971
Option reserve	1,989,067	1,989,067
Equity reserve attributable to parent (iii)	-	-
Total reserves	4,886,224	3,188,038
(i) Movement in net unrealised gains reserve:		
Opening balance	-	233,579
Unrealised gains/(losses) on available for sale assets	832,326	(1,405,115)
NCI share of revaluation of listed investments net of tax	-	77,277
Unrealised gains/(losses) on available for sale assets after tax and NCI	832,326	(1,327,838)
Impairment of available for sale assets	-	895,808
Disposal of available for sale assets	-	198,451
Closing balance	832,326	-
(ii) Movement in share-based payments reserve:		
Opening balance	1,198,971	388,040
Share based payments expense	865,860	810,931
Closing balance	2,064,831	1,198,971
(iii) Movement in equity reserve attributable to parent:		
Opening balance	-	(7,172,143)
Transferred to Retained Earnings	-	7,172,143
Closing balance	-	-

(c) Nature and purpose of reserves

Net unrealised gains reserve

This reserve records fair value changes on listed investments (other than investments in listed associates) and the Group's equity share of its associate's listed investments.

Share-based payment reserve

This reserve is used to record the value of equity benefits provided to executives and employees as part of their remuneration and includes the value of options granted to the company's corporate advisors.

Equity reserve attributable to parent

The premium paid by Opthea on acquisition of the balance of Vegenics' non-controlling interests was recognised in this account. The balance of the reserve was transferred to retained earnings during the prior year.

Option reserve

On 25 November 2014 the company issued options to purchase 49,726,672 ordinary shares with an exercise price of \$0.27 expiring on 25 November 2018. The fair value of the options at their issue date of \$1,989,067 has been recognised in the option reserve.

23. Financial risk management objectives and policies

The Group's principal financial assets comprise cash, receivables, short-term deposits and financial investments.

The Group (including the Parent) manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management practices. The objective is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group's other various financial assets and liabilities, such as receivables and payables, arise directly from its operations. The main risks arising from the Group's financial assets and liabilities are interest rate risk, foreign currency risk, equity securities price risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange rates. Liquidity risk is monitored through future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Risk exposures and responses

The Group has investigated the main financial risk areas which could impact on its financial assets and determined the impact on post tax (losses) or profits for a range of sensitivities. These can be seen in the post tax (loss)/profit impact for each risk area.

For each risk area, the equity impact relates solely to reserve movements and excludes retained earnings movements as the impact of these can be seen within the post tax (loss)/profit impact.

(i) Interest rate risk

The Group's exposure to market interest rates relates primarily to the short-term deposits. The deposits are held with one of Australia's largest banks.

The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rates that might impact its interest revenue and cash flow. To manage interest rate risk, the Group invests the majority of its cash in short-term deposits for varying periods of between 30 days and 90 days, depending on the short and long-term cash requirements of the Group which is determined based on the Group's cash flow forecast. This consideration also takes into account the costs associated with recalling a term deposit should early access to cash and cash equivalents be required. Cash is not locked into long-term deposits at fixed rates so as to mitigate the risk of earning interest below the current floating rate.

The Group does not have any borrowings.

Notes to the Consolidated Financial Statements

The following sensitivity analysis (an annual effect) is based on the interest rate risk exposures in existence at balance date.

As at 30 June 2017, if interest rates moved, with all variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the following table:

Judgements of reasonably possible movements	Post tax (loss)/profit impact		Cost of investment	
	2017 \$	2016 \$	2017 \$	2016 \$
+ 0.50% (50 basis points) (2016: + 0.50%)	173,403	57,719	-	-
- 0.50% (50 basis points) (2016: - 0.50%)	(173,403)	(57,719)	-	-

Given the amount of unrecognised tax losses in existence, the post tax figures include an offset of these tax losses (bringing the tax effect to nil) for the year ended 30 June 2017 (2016: Nil).

Significant assumptions used in the interest rate sensitivity analysis include:

- The reasonably possible movement of 0.5% was calculated by taking the interest rates as at balance date, moving these by plus and minus 0.5% and then re-calculating the interest on term deposits with the 'new-interest-rate'.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

(ii) Price risk

The Group's investment in listed shares is exposed to equity securities price risk and as such their fair values are exposed to fluctuations as a result of changes in market prices.

Equity price risk is the risk that the fair value of equities will decrease as a result of share price movements. The Group's equity investments are publicly traded on the ASX and are designated and accounted for as "available-for-sale" financial assets.

The investments in listed shares are not held for short-term trading. Their values are reviewed regularly by management and the board. The strategy for realising any part of these investments is determined based on the liquidity of the respective stocks, potential off-market acquirers and likely developments in their values based on publicly available information.

At 30 June 2017, had the share price moved with all other variables held constant, post tax (loss)/profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements	Impact of loss after tax	Impact on equity after tax	Impact on loss after tax	Impact on equity after tax
	2017 \$	2017 \$	2016 \$	2016 \$
Change in variables				
10% increase in listed share price	80,377	80,377	33,713	33,713
10% decrease in listed share price	(80,377)	(80,377)	(33,713)	(33,713)

(iii) Foreign currency risk

As a result of services provided by non-related entities in the United States, Canada, United Kingdom and Europe, part of the Group's financial assets and liabilities are affected by movements in the exchange rate.

The Group does not enter into any hedging transactions.

At the reporting date, the Group has the following exposure to foreign currencies:

2017	Consolidated			
	USD	EURO	GBP	CAD
	2017 \$	2017 \$	2017 \$	2017 \$
Financial assets				
Cash	930,586	-	-	-
Receivables	63,529	-	-	-
Financial liabilities				
Payables	(400,509)	(128,466)	(7,572)	(1,202)
Net exposure	593,606	(128,466)	(7,572)	(1,202)

2016	Consolidated			
	USD	EURO	GBP	CAD
	2016 \$	2016 \$	2016 \$	2016 \$
Financial assets				
Cash	2,321,862	-	-	-
Receivables	75,071	1,492	-	-
Financial liabilities				
Payables	(727,395)	(32)	(2,134)	(115,923)
Net exposure	1,669,538	1,460	(2,134)	(115,923)

The following sensitivity is based on the foreign currency risk exposures in existence at balance date.

At 30 June 2017, had the Australian dollar moved with all other variables held constant, post tax (loss) profit and equity would have been affected as illustrated in the table below:

Judgements of reasonably possible movements	Post tax (loss)/profit impact		Cost of investment	
	2017 \$	2016 \$	2017 \$	2016 \$
Consolidated				
AUD/USD +10% (2016: +5%)	(37,775)	(79,502)	-	-
AUD/USD -10%	46,169	185,504	-	-
AUD/Euro +10% (2016: +5%)	8,175	(70)	-	-
AUD/Euro -10%	(9,992)	162	-	-
AUD/GBP +10% (2016: +5%)	482	102	-	-
AUD/GBP -10%	(589)	(237)	-	-
AUD/CAD +10% (2016: +5%)	77	-	-	-
AUD/CAD -10%	(94)	-	-	-

Notes to the Consolidated Financial Statements

The reasonably possible movements at 30 June 2017 are lower than at 30 June 2016 due to the lower net exposure to the US dollar. There was minimum or insignificant exposure to the GBP, Euro and CAD during the current financial year.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

The reasonably possible movement of 5% was calculated by taking the currency spot rates as at balance date, moving these by 5% and 10% and then re-converting the currencies into AUD with the 'new-spot-rate'. This methodology reflects the translation methodology undertaken by the Group.

The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(iv) Credit risk

Credit risk is associated with those financial assets of the Group which comprise cash and cash equivalents and listed investments. The Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these investments. Credit risk is considered minimal as the Group transacts with reputable recognised Australian banks.

(v) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group has minimal liquidity risk because of the high balances of cash and cash equivalents; however the Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The Group's objective is to maintain an appropriate cash asset balance to fund its operations.

(vi) Fair value

The Group has investments in listed equities which are calculated using the quoted prices in an active market. These investments are classified as falling into level 1 hierarchy per AASB 13 'Fair Value Measurement'. The Group does not have any derivative investments (level 2 hierarchy) where the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices). The Group also does not hold any financial instruments that fall into level 3. Level 3 fair value measurement uses observable inputs that require significant adjustments based on observable inputs to estimate its value.

Details of the fair value of the available-for-sale financial assets are disclosed in note 16 of the financial statements. The fair value of current assets and liabilities in the consolidated statement of financial position at 30 June 2017 is the same as their carrying amounts.

The methods for estimating fair value are also outlined in the relevant notes to the financial statements.

24. Related party disclosures

(a) Subsidiaries

The consolidated financial statements include the financial statements of Opthea Limited and the subsidiaries listed in the following table:

Name of company	Parent entity % equity interest	
	2017 %	2016 %
Vegenics Pty Ltd ¹	100	100
Polychip Pharmaceuticals Pty Ltd (deregistered) ²	-	100
A.C.N 160 199 977 Pty Ltd (formerly Opthea Pty Ltd, deregistered) ³	-	100
Ceres Oncology Pty Ltd (deregistered) ³	-	100
Precision Diagnostics Pty Ltd (deregistered) ³	-	100
Circadian Shareholdings Pty Ltd (deregistered) ³	-	100

¹ Opthea Limited is the ultimate parent entity

² Formally deregistered on 3rd April 2017

³ Formally deregistered on 23rd October 2016

All subsidiaries were incorporated in Australia and have the same financial year as Opthea Limited. During the year there was a cross guarantee in place in favour of all of the subsidiaries listed above.

(b) Transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Refer to note 29(b) for director related party transactions.

Notes to the Consolidated Financial Statements

25. Cash flow statement reconciliation

(a) Reconciliation to cash at the end of the year

	2017 \$	2016 \$
Cash at bank and in hand (note 13)	51,959,906	14,486,403
	51,959,906	14,486,403

(b) Reconciliation of net loss after tax to net cash flows from operations

Net loss for the year	(6,192,896)	(6,531,774)
Adjustments for:		
Income tax benefit recognised in profit or loss	(3,167,912)	(1,569,204)
Depreciation of non-current assets	26,614	30,791
Net loss on disposal of non-current assets	3,776	-
Net gain on disposal of subsidiary	(2,521)	(168,082)
Net profit on disposal of investments	-	(7,105)
Share-based payments - directors and employees	865,860	770,557
Share-based payments - corporate advisory services	-	40,374
Impairment losses on non-current financial investments	-	895,808
Net exchange differences	38,704	69,014
	(2,235,479)	62,153
Movements in working capital:		
Decrease/(increase) in prepayments	28,079	(41,441)
(Increase)/decrease in interest and other receivables	(287,956)	12,121
Decrease in payables	(47,181)	(336,324)
Increase in employee provisions	46,442	59,527
Net cash used in operating activities	(8,688,991)	(6,775,738)
Income tax refund	2,643,553	3,094,502
Net cash generated by operating activities	(6,045,438)	(3,681,236)

26. Commitments

(i) Operating lease commitments - Group as lessee

The Group has a commercial lease for its office premises for a period of 6 years from 15 July 2013. The Group also leases laboratory facilities on an annual basis.

	2017 \$	2016 \$
Within one year	53,084	147,517
After one year but not more than five years	172,824	225,908
	225,908	373,425

(ii) Research projects and license commitments

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

	2017 \$	2016 \$
Within one year	1,251,372	3,869,199
After one year but not more than five years	373,411	325,726
After more than five years	201,642	235,120
	1,826,425	4,430,045

27. Contingencies

Opthea and its subsidiaries are party to various research agreements with respect to which a commitment to pay is contingent on the achievement of research milestones. Assuming all milestones are achieved within the timeframes stipulated in the contracts, those which could become payable in less than one year total \$NIL (2016: \$NIL) and those which could become payable in more than one year total \$15,313,461 (2016: \$15,778,838). These expenditure commitments would have an offsetting revenue stream from royalties and other income.

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

The group had a bank guarantee outstanding at 30 June 2017 in respect of a rental deposit for its office premises of \$43,841 (2016: \$43,841).

28. Non-controlling interest

	2017 \$	2016 \$
Balance at beginning of year	-	817,602
Share of loss for the period	-	(24,354)
Share of other comprehensive income for the period	-	(77,277)
Change in interest in subsidiary	-	(715,971)
Balance at end of year	-	-

29. Key management personnel**(a) Compensation of Key Management Personnel**

	2017 \$	2016 \$
Short-term employee benefits	1,119,155	982,323
Post employment benefits	92,070	89,669
Share-based payments expense	628,861	684,483
Total compensation	1,840,086	1,756,475

Details of the key management personnel are included within the Remuneration Report section of the Directors' Report.

(b) Other transactions and balances with director and key management personnel and their related parties

There were no director and key management personnel related party transactions during the current or prior financial year.

Notes to the Consolidated Financial Statements

30. Share-based payments

(a) Recognised share based payment expenses

The expense recognised for share-based payments during the year is shown in the table below:

	2017 \$	2016 \$
Expense arising from equity-settled share-based payment transactions:		
Director and employee services received	865,860	770,557
Corporate advisory services	-	40,374
	865,860	810,931

(b) Non-executive director and employee share option plans

During the 2015 financial year, the Group introduced an ownership-based compensation scheme for non-executive directors, executives and senior employees, the Long Term Incentive Plan (LTIP) and Non-Executive Directors Share and Option Plan (NED Plan). In accordance with the terms of the plans, as approved by shareholders at the 2014 annual general meeting, eligible non-executive directors, executives and senior employees with the Group may be granted options to purchase ordinary shares.

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

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

The vesting condition of options granted under the LTIP and NED Plan is continuous service.

Options/Rights series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
LTIP - director	7 March 2016	\$0.19	\$0.48	7 March 2021	30 June 2016
LTIP - employees	31 March 2016	\$0.24	\$0.48	1 January 2022	1 January 2017
NED Plan	7 March 2016	\$0.19	\$0.48	7 March 2021	30 June 2016

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

(c) Share-based payment to corporate advisor

In January 2015, the company issued 1,000,000 options to purchase ordinary shares to Bell Potter Securities in consideration for services to be provided under a Corporate Advisory Agreement. The options were exercisable from 13 January 2016 at an exercise price of \$0.2625 and expire on 13 January 2018. The issue of the options was approved by members at the 2014 annual general meeting. The fair value of the options is \$0.075 per option.

(d) Fair value of share options granted

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years.

	NED Plan	LTIP - Director	LTIP - employees
Grant date share price	\$0.38	\$0.38	\$0.43
Exercise price	\$0.48	\$0.48	\$0.48
Fair value per option	\$0.19	\$0.19	\$0.24
Expected volatility	65%	65%	65%
Option life	5 years	5 years	5 years
Dividend yield	0%	0%	0%
Risk free interest rate	2.09%	2.09%	2.09%
Model used	Binomial	Binomial	Binomial

(e) Movements in share options during the year

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

	30 June 2017		30 June 2016	
	Number of options and rights	Weighted average exercise price \$	Number of options and rights	Weighted average exercise price \$
Balance at beginning of year	10,725,000	0.46	3,100,000	0.085
Granted during the year:				
To directors under the LTIP and NED Plan	-	-	7,000,000	0.48
To employees under the LTIP	-	-	2,725,000	0.48
Exercised during the year	(50,000)	0.48	(2,100,000)	-
Expired during the year	(100,000)	0.48	-	-
Balance at end of year	10,575,000	0.46	10,725,000	0.46
Exercisable at end of year	6,436,250	0.45	3,310,000	0.41

The share options outstanding at the end of the year had a weighted average exercise price of \$0.46 (2016: \$0.46) and a weighted average remaining contractual life of 1,310 days (2016: 1,680 days).

Notes to the Consolidated Financial Statements

31. Net tangible asset backing

	2017 \$	2016 \$
Net tangible asset backing per ordinary security	0.27	0.10

32. Auditors' remuneration

The auditor of Opthea Limited is Deloitte Touche Tohmatsu.

	2017 \$	2016 \$
Amounts received or due and receivable by Deloitte (Australia) for:		
Audit or review of the financial report of the entity and any other entity in the consolidated group	84,565	84,565
Other services in relation to the consolidated group	-	6,500
	84,565	91,065

33. Events after the balance sheet date

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

34. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for significant accounting policies relating to the Group.

(a) Financial position

	2017 \$	2016 \$
Current assets	55,709,767	15,357,368
Non current assets	224,764	751,956
Total assets	55,934,531	16,109,324
Current liabilities	(1,891,304)	(1,908,827)
Non current liabilities	(267,817)	(252,999)
Total liabilities	(2,159,121)	(2,161,826)
Net assets	53,775,410	13,947,498
Issued capital	97,853,499	53,844,979
Retained earnings	(48,964,312)	(43,085,518)
Option reserve	1,989,067	1,989,067
Employee equity benefits reserve	2,064,830	1,198,970
Net unrealised gains reserve	832,326	-
Total shareholders' equity	53,775,410	13,947,498

(b) Financial performance

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Loss of the parent entity	(5,878,794)	(7,903,731)
Other comprehensive income/(expense)	832,326	(28,604)
Total comprehensive loss of the parent entity	(5,046,468)	(7,932,335)

(c) Parent entity contractual commitments for acquisition of property, plant and equipment

The parent entity does not have any contractual commitments for the acquisition of property, plant and equipment for the year ended 30 June 2017 (2016: Nil).

(d) Parent entity contingent liabilities

The parent entity had a bank guarantee outstanding at 30 June 2017 in respect of a rental deposit for its office premises of \$43,841 (2016: \$43,841).

(e) Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has provided a written guarantee to its controlled entities that it will continue to provide sufficient funds to enable them to meet their commitments and contingencies for the next twelve months. These controlled entities are disclosed in note 24.

Directors Declaration for the year ended 30 June 2017

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

1. In the opinion of the directors:
 - (a) the financial report and the notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, Corporations Regulations 2001, and International Financial Reporting Standards (IFRS) as disclosed in note 3 of the financial statements; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the Corporations Act 2001.

On behalf of the directors:



Megan Baldwin

CEO & Managing Director
Opthea Limited



Geoffrey Kempler

Chairman
Opthea Limited

Melbourne
30 August 2017



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Independent Auditor's Report to the Directors of Opthea Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Opthea Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Opthea Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Authorisation and classification of expenses</p> <p>Opthea Limited operates in the biotechnology market and is in the clinical research stage of developing a molecule asset, OPT-302, for eye diseases, as disclosed in note 4.1.</p> <p>The majority of Opthea's expenditure is incurred as a result of clinical trials for OPT-302. In 2017, Opthea successfully completed a Phase 1/2A clinical trial and commenced planning activities for a Phase 2B wet AMD and a Phase 2A DME study.</p> <p>A key measure of Opthea's performance is the level of expenditure incurred on the research of OPT-302. The authorisation and classification of expenses requires judgement as the cash assets of the Group are primarily expended in the research of OPT-302 and therefore there is a risk that:</p> <ul style="list-style-type: none"> • Expenses may be incorrectly classified and disclosed, and • Expenses may not be appropriately approved. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process undertaken by management to account for expenditure, with a focus on research expenditure, • Identified and tested key controls in respect of the expenditure process, • Assessed the appropriateness of management's accounting policy for research expenditure, • Tested a sample of research expenses to determine whether they were authorised in accordance with the Group's Delegation of Authority, and • Assessed documentation for a sample of research expenses to assess whether they were correctly classified. <p>We also assessed the appropriateness of the related disclosures in notes 9 and 10 to the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Opthea Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Opthea Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg
Partner
Chartered Accountants
Melbourne, 30 August 2017

ASX Additional Information

1. Distribution of equity securities

The number of shareholders, by size of holding, of quoted fully paid ordinary shares as at 28 July 2017 is as follows:

Category	Fully paid ordinary shares	
	No. of holders	No. of shares
1 - 500	102	23,964
501 - 1,000	342	317,953
1,001 - 5,000	1,102	2,879,752
5,001 - 10,000	400	3,062,080
10,001 - 100,000	560	17,035,307
100,001 - 9,999,999,999	87	177,255,314
Total	2,593	200,574,370
Number of shareholders holding less than a marketable parcel of shares	135	43,224

2. Twenty largest shareholders

The names of the 20 largest holders of quoted fully paid ordinary shares and their respective holdings at 28 July 2017 are:

Rank	Name	No. of shares	% interest
1	HSBC Custody Nominees (Australia) Limited	45,994,504	22.93
2	HSBC Custody Nominees (Australia) Limited-Gsco Eca	20,596,515	10.27
3	Citicorp Nominees Pty Limited	18,168,902	9.06
4	J P Morgan Nominees Australia Limited	9,844,907	4.91
5	National Nominees Limited	9,066,814	4.52
6	Armada Trading Pty Limited	8,864,824	4.42
7	Jagen Pty Ltd	8,766,246	4.37
8	BNP Paribas Noms Pty Ltd <Drp>	7,965,524	3.97
9	UBS Nominees Pty Ltd	6,706,325	3.34
10	Ludwig Institute For Cancer Research Ltd	3,122,090	1.56
11	Abingworth Bioequities Master Fund Ltd	2,580,647	1.29
12	Brispot Nominees Pty Ltd <House Head Nominee A/C>	2,213,506	1.10
13	JL Family Nominees Pty Ltd	2,150,538	1.07
14	LL Family Nominees Pty Ltd	2,150,538	1.07
15	BNP Paribas Nominees Pty Ltd <LB AU Noms Retailclient Drp>	2,045,208	1.02
16	Megan Baldwin	1,643,223	0.82
17	Capital Macquarie Pty Limited	1,379,170	0.69
18	Octavian Services Pty Ltd	1,285,715	0.64
19	Chemical Trustee Limited	1,158,108	0.58
20	Sandhurst Trustees Ltd <Jmfg Consol A/C>	1,113,288	0.56
Totals: Top 20 holders of ordinary fully paid shares		156,816,592	78.19
Total remaining holders balance		43,757,778	21.81

3. Substantial shareholders

The following information is current at 28 July 2017 based on information extracted from the substantial shareholding notices given to the Company by shareholders who hold relevant interests in more than 5 per cent of the Company's voting shares:

Name	No. of shares
BVF Partners LP	33,281,585
Baker Brothers Life Sciences LP	16,439,541

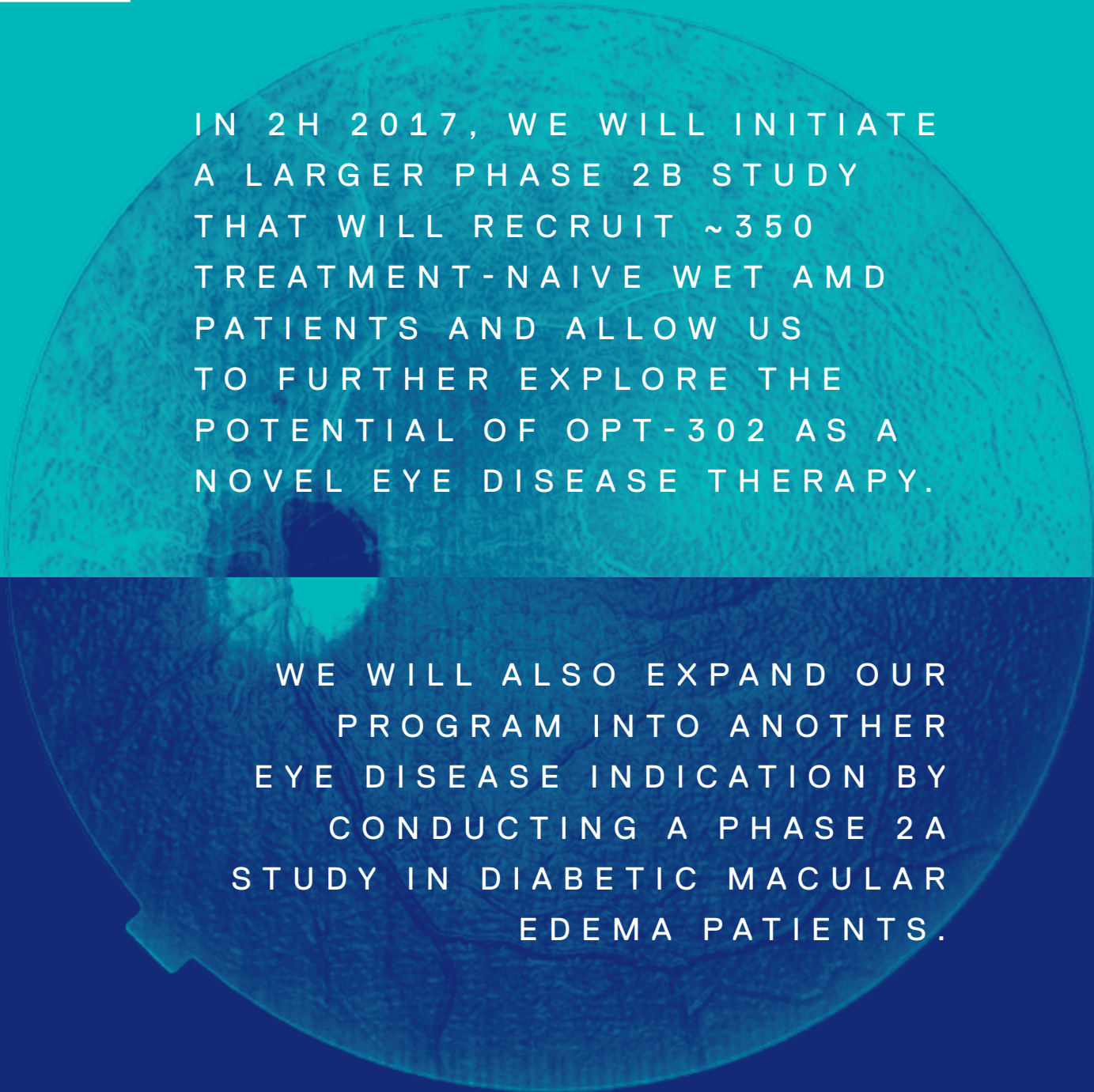

4. Voting rights

Clauses 44 to 53 of the Company's Constitution stipulate the voting rights of members. In summary, but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for each ordinary share held by the member.

The Company's shares are quoted on the Australian Securities Exchange Limited (ASX code: OPT).


Corporate Information

Company	Opthea Limited ABN 32 006 340 567
Directors	Geoffrey Kempler B.Sc. Grad. Dipp. App. Soc. Psych (Chairman) Megan Baldwin PhD MAICD (Managing Director and Chief Executive Officer) Michael Sistenich MSc.
Company Secretary	Mike Tonroe BSc(Hons) ACA MAICD
Registered Office	Level 4, 650 Chapel Street, South Yarra, Victoria 3141
Principal Administrative Office	Level 4, 650 Chapel Street, South Yarra, Victoria 3141 Telephone: +61 (3) 9826 0399 Facsimile: +61 (3) 9824 0083
Bankers	Commonwealth Bank of Australia, Melbourne, Victoria
Auditors	Deloitte Touche Tohmatsu, 550 Bourke Street, Melbourne, Victoria 3000
Solicitors	Gilbert and Tobin, 101 Collins Street, Melbourne, Victoria 3000
Share Register	Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Telephone: +61 (3) 9415 4000 or 1300 850 505 (within Australia)
Stock Exchange Listing	Opthea Limited's shares are quoted on the Australian Securities Exchange Limited ASX (code: OPT).



IN 2H 2017, WE WILL INITIATE
A LARGER PHASE 2B STUDY
THAT WILL RECRUIT ~350
TREATMENT-NAIVE WET AMD
PATIENTS AND ALLOW US
TO FURTHER EXPLORE THE
POTENTIAL OF OPT-302 AS A
NOVEL EYE DISEASE THERAPY.

WE WILL ALSO EXPAND OUR
PROGRAM INTO ANOTHER
EYE DISEASE INDICATION BY
CONDUCTING A PHASE 2A
STUDY IN DIABETIC MACULAR
EDEMA PATIENTS.





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