OPTHEA

26 February 2016

31 December 2015 half-year financial report & operational performance

No. of Pages: 24

In accordance with Listing Rule 4.2A, we enclose the Half-Year Financial Report (reviewed) on the consolidated results of Opthea Limited ('Opthea' or 'Group') for the half-year ended 31 December 2015. The previous corresponding periods are the financial year ended 30 June 2015 and the half year ended 31 December 2014.

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

This Half Year Financial Report should be read in conjunction with the Company's Annual Report for the year ended 30 June 2015.

Mike Tonroe

Company Secretary

OPTHEA

APPENDIX 4D

Half-Year Financial Report

Name of entity:	**Opthea Limited** (formerly Circadian Technologies Limited)
ABN:	**32 006 340 567**
Reporting period:	**Half-Year Ended 31 December 2015**
Previous corresponding period:	Half-Year Ended 31 December 2014

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This half-year report is to be read in conjunction with the Company's 2015 Annual Report

Note: The financial figures provided are in Australian dollars, unless specified otherwise.

Results for announcement to the market

The consolidated results of Opthea Limited (formerly Circadian Technologies Limited) for the six months ended 31 December 2015 are as follows:

Revenues and Results from Ordinary Activities

		Change compared to: 31/12/2014 %		31/12/2015 $
Revenues from ordinary activities	increased	40.7	to	515,156
Loss from ordinary activities before tax	Loss has decreased	39.7	to	(2,588,347)
Loss from ordinary activities after tax attributable to members	Loss has decreased	42.6	to	(1,731,722)

An explanation of the figures reported above are contained in the Directors' Report under the heading 'Financial performance'.

Shareholder Distributions

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

NTA backing	Consolidated 31/12/2015	Consolidated 30/06/2015
Net tangible asset backing per ordinary security	$0.13	$0.15

Status of review of accounts

The financial report for the half-year ended 31 December 2015 has been reviewed. The review report is included with the financial report.

Opthea Limited and controlled entities

(formerly Circadian Technologies Limited)

ABN 32 006 340 567

Condensed Financial Report

Half year ended 31 December 2015

Contents

Opthea Limited and Controlled Entities

Directors' report

The directors of Opthea Limited (formerly Circadian Technologies Limited) submit herewith the financial report of Opthea Limited and its subsidiaries (Opthea, the Company and the Group) for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below:

Geoffrey Kempler	Chairman, Non-Executive Director (appointed 30 November 2015)
Megan Baldwin	Chief Executive Officer and Managing Director
Michael Sistenich	Non-Executive Director (appointed 30 November 2015)
Dominique Fisher	Non-Executive Director (resigned on 30 November 2015)
Tina McMeckan	Non-Executive Director (resigned on 30 November 2015)
Russell Howard	Non-Executive Director (resigned on 30 November 2015)

Changes to the board of directors

At the conclusion of the Company's AGM on 30 November 2015, Opthea welcomed the appointments of Geoffrey Kempler as Chairman and Michael Sistenich as Non-Executive Director. The appointments coincided with shareholder approval of the change of name of the company from Circadian Technologies Limited to Opthea Limited and reflect the company's commitment to restructure and position Opthea as a leading biotechnology company in the ophthalmology space.

Concurrent with the appointment of the new directors, Opthea accepted the resignation of three non-executive directors, including Dominique Fisher who resigned as Chairman after ten years of service to the Company, and Tina Meckan and Russell Howard who had each served as non-executive directors for eight and three years respectively. The Company thanks the retiring directors for their dedicated and professional service and wishes them well in their future endeavours.

Geoffrey Kempler and Michael Sistenich are two widely respected members of the biotech industry who bring broad and complementary experience to Opthea's board of directors. Both have international capital market and industry connections and a deep understanding of biotechnology and drug development.

Geoffrey Kempler is currently CEO and executive Chairman of Prana Biotechnology, and 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 Kempler'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 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 Chief Business Officer of Nohla Therapueitcs, and previously served as Director of International Equities and Head of Global Healthcare Investments at DWS Investments, Deutsche Bank Frankfurt. Michael Sistenich has long standing capital market connections and experience in the global healthcare investment community.

Geoffrey Kempler and Michael Sistenich join Megan Baldwin (CEO and Managing Director) on Opthea's Board of Directors. Expansion of the board of directors with individuals that bring relevant and complementary expertise will be considered as the company advances OPT-302 through development.

Review of operations

Financial performance

For the half year ended 31 December 2015, the Company's net loss attributable to members is $1,731,722 (31 December 2014: $3,018,683). The reduced loss compared to 2014 is mainly due to the decrease in research and development (R&D) spending by the Group, which can be attributed to the expenditure incurred in 2014 for the manufacture of clinical grade OPT-302 and conduct of IND-enabling safety toxicology studies – both of which support our ongoing and planned Phase 1 and 2 clinical trials. In addition, we expect R&D expenditure to increase over the following six months relative to the half-year ended 31 December 2015 as we progress our ongoing US-based Phase 1/2A clinical trial with OPT-302 in wet AMD patients.

Set out below are other factors affecting financial performance:

- The total investment in R&D was $1,943,136 (31 December 2014: $3,891,303). Direct R&D spending (excluding personnel and R&D support costs) was $1,247,188 (31 December 2014: $3,211,561). Further R&D project commentary is included under the operational update heading.
- The net income tax benefit for the half year is $856,625 and includes an income tax benefit of $874,411 based on the research and development spend for this half year. In the previous corresponding period the R&D income tax benefit recognised in relation to the 2015 financial year was $1,751,087.

Basic earnings per share were a loss of 1.14 cents (31 December 2014: loss of 4.58 cents).

Financial position

The cash position as at 31 December 2015 was $17,757,769 (30 June 2015: $18,435,637). Other points to note on the Company's financial position are:

- The 2015 Research and Development (R&D) tax incentive claim of $3,094,502 included in current tax assets at 30 June 2015, was received from the Australian Tax Office during November 2015. A benefit of $874,411 (31 December 2014: $1,751,087) has been recognised in relation to the R&D tax incentive spend in the current period and included in current tax assets.
- The value of the investment portfolio (available for sale financial assets) decreased by a net $1,077,182 to $963,805 during the half year. This was due to:
    1. fair value decrease to the value of Antisense Therapeutics Limited (ASX: ANP) in which the Group has a 5.77% holding (30 June 2015: 8.14%); and
    2. fair value decrease in the value of Optiscan Imaging Limited (ASX: OIL): the Group has a 4% holding.
- During the half year, Syngene Limited, a 52% owned subsidiary entered into a solvent members' voluntary liquidation. As a result, the Company ceased to have control over the activities of Syngene and ceased to consolidate it into its financial statements from 27 November 2015. At 30 June 2015, the net assets attributed to Syngene Limited in the Group's consolidated statement of financial position was $728,563.
- As at 31 December 2015, the Net Tangible Asset backing per share was 13 cents; down 21% from 15 cents as at 30 June 2015.

Change of Company's name and ASX 'Ticker' Code

At the Company's 2015 Annual General Meeting on 30 November 2015, the Company changed its name from Circadian Technologies Limited to Opthea Limited (ASX: OPT). This is consistent with the Group's strategic focus to develop novel therapies for the treatment of eye diseases, including OPT-302 for wet AMD. The name change makes commercial sense for effective marketing and product development and more closely aligns the principal activities of the Company with its corporate identity.

On 14 December 2015, Opthea's ticker code, the unique code identifying the company on the Australian Securities Exchange, was changed from 'CIR' to 'OPT'. This new code is now quoted on all securities transactions and in company communications.

Corporate Restructuring

Simplification of Opthea's corporate structure through deregistration or liquidation of several of our wholly-owned subsidiaries has been initiated. This process is critical to articulation of a clear corporate strategy and provides greater efficiencies in our accounting and reporting processes.

Our ophthalmology program/s are conducted under the public ASX listed entity Opthea Limited. At the completion of the corporate restructure, two wholly-owned subsidiaries of Opthea will remain. Opthea's non-core assets will be consolidated into a wholly owned subsidiary, whilst Opthea's extensive intellectual property related to VEGF-C, VEGF-D and VEGFR-3 will continue to be housed within Vegenics Pty Ltd. Concurrently, Syngene Limited, a 52% owned subsidiary of Opthea is currently in member's voluntary liquidation which further simplifies Opthea's corporate structure (for more information regarding Syngene, see note 6).

OPT-302: A potent inhibitor of VEGF-C and VEGF-D for the treatment of wetAMD

Opthea has continued to execute its strategy to focus on the development of its lead molecule OPT-302 as an eye disease therapy.

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

Wet AMD is a disease characterised by loss of vision in the middle of the visual field caused by degeneration of the central portion of the retina (the macula). Abnormal growth of blood vessels below and within the retina, and the leakage of fluid and protein from the vessels, cause retinal degeneration and lead to severe and rapid loss of vision if left untreated.

Approved therapies for wet AMD include Eylea® and Lucentis® which block the activity of VEGF-A, the first member of the VEGF family of proteins to be discovered and a signal that causes blood vessels to grow and leak. The approved therapies target VEGF-A but not VEGF-C or VEGF-D which are alternate members of the same family of molecules. VEGF-C and VEGF-D can stimulate blood vessel growth and leakage through the same pathway as VEGF-A, as well as through pathways that are independent of VEGF-A.

Our strategy is to address the unmet medical need that remains for wet AMD patients. Approximately half of the people receiving the existing therapies do not experience a significant gain in vision and/or have persistent fluid at the back of the eye. As the leading cause of blindness in the developed world, and one which is increasing in prevalence as the population ages, wet AMD represents a multi-billion dollar market opportunity.

OPT-302 has the potential to be used as a single-agent (monotherapy), or in combination with existing approved inhibitors of VEGF-A (Lucentis®/Eylea®) in order to achieve a more complete blockade of the VEGF pathway and block mechanisms of 'escape' from VEGF-A inhibition. Combined inhibition of VEGF-A, together with VEGF-C and VEGF-D, may more effectively control aberrant blood vessel development and leakage in patients that exhibit sub-optimal vision gains despite ongoing therapy with the currently approved therapies for the disease.

Operational update

A Phase 1/2A clinical trial of OPT-302 in patients with wet AMD is currently in progress under an FDA approved IND at 14 clinical sites in the USA. The first-in-human dose-escalation and dose-expansion trial is investigating OPT-302 administered alone or in combination with Lucentis® on a monthly basis for three months. The primary endpoint of the study is 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 include preliminary measures of clinical activity, including evaluation of visual acuity using eye charts as well as changes in wet AMD lesions, including fluid and thickness of the tissue at the back of the eye, using advanced imaging techniques.

The recruitment of patients into the Phase 1 cohorts is currently ongoing and Opthea expects to report the first safety data from this phase of the clinical trial 1Q'16. Recruitment of an additional ~30 patients in the Phase 2A cohorts of the clinical study is anticipated to begin 2Q'16 pending outcomes from the Phase 1, with reporting of the primary analysis of the Phase 2A trial expected towards the end of 2016.

In order to further raise Opthea's profile in the US investment and ophthalmology community, the OPT-302 development program was presented at two key international events over recent months. In November 2015, Opthea was chosen to present at the BioPharma Company Showcase of the Ophthalmology Innovation Summit (OIS) in Las Vegas. The OIS was attended by over 800 professionals from the investor, pharmaceutical and clinical ophthalmology community and held in conjunction with the annual meeting of the American Association for Ophthalmology (AAO). AAO attracts more than 24,000 attendees annually and is the largest clinical ophthalmology conference in the US.

In addition, in January 2016, Opthea presented at the Biotech Showcase, an investor and partnering conference held in parallel with the 34th Annual J.P. Morgan Conference in San Francisco. The Showcase and J.P. Morgan 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.

Opthea's presentations at the OIS and Biotech Showcase covered the scientific rationale for targeting VEGF-C and VEGF-D for the treatment of wet AMD with the Company's lead asset OPT-302, pre-clinical data and the design of the Phase 1/2A clinical trial that is currently actively recruiting and dosing patients.

Concurrent with the Phase 1/2A clinical trials, we have an ongoing collaboration with Schepens Eye Research Institute (Harvard Medical School, Massuchusetts Eye & Ear Infirmary, Boston) who continue to investigate the biological role of VEGF-C and VEGF-D in wet AMD and other eye diseases and study the activity of OPT-302 in preclinical animal models of wet AMD.

Non-core assets

In addition to the OPT-302 ophthalmology program, Opthea has a number of non-core assets as a result of its historical research and development projects. These assets include VGX-100, a monoclonal antibody for VEGF-C that has been tested in a Phase 1A/1B clinical study in advanced cancer patients as a single agent and in combination with the VEGF-A inhibitor Avastin®. Although the focus of Opthea remains on the OPT-302 asset,

VGX-100 remains within the Company as a potentially partnerable or licensable program.

In October 2015, Eli Lilly discontinued development of their VEGFR-3 antibody IMC-3C5 (LY3022856) and also terminated its exclusive license to Opthea's intellectual property (IP) covering therapeutic use of antibodies to VEGFR-3. This strengthens Opthea's IP position, particularly in relation to our OPT-302 program for the treatment of wet AMD. Reversion of the IP provides Opthea with greater flexibility for negotiation of any future IP licenses that are more aligned with our strategy to focus on ophthalmology indications. Eli Lilly had an exclusive license to Opthea's IP to develop a VEGFR-3 antibody, in return for an annual license fee payable to Opthea. Termination of the license agreement does not have any material impact on Opthea's financial projections as the Company's forecasts do not include annual license income from Eli Lilly.

Syngene Limited, a 52% owned subsidiary of Opthea and a public unlisted company, had been involved in the development of alternatives forms of insulin for the treatment of diabetes. To continue this development to a commercially viable stage, Syngene would require resources that could not be supported further by Opthea and were beyond the means of Syngene standing alone. The Syngene board of directors unanimously recommended, in the best interests of its shareholders, the company cease its operations. At its AGM on 27th November 2015, Syngene shareholders passed a special resolution to place the company into voluntary members' liquidation. Syngene is solvent and debt free and will distribute a dividend of its remaining net assets to its shareholders. It is anticipated that this will return approximately $169,101 to Opthea Limited, including the pro-rata value (reflecting Opthea's 52% ownership) of the listed investments held within Syngene Limited. The formal process of concluding Syngene's activities is now managed by its liquidators PCI Partners Pty Ltd in Melbourne.

Outlook

Opthea will continue to focus the Company's capital and resources on the significant opportunity represented in the OPT-302 program.

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

- Complete patient enrolment in the Phase 1 dose-escalation and Phase 2A dose-expansion cohorts of the Phase 1/2A clinical trial of OPT-302 in wet AMD patients;
- Report primary safety data from the Phase 1 cohorts in the first quarter of financial year 2016;
- Report additional data, including outcomes from the secondary end points of the Phase 1 study, in the 2nd/3rd quarter of calendar 2016;
- Report primary data from the Phase 2A cohorts by the end of calendar 2016;
- Progress preclinical safety/toxicology studies to support a Phase 2B clinical trial of OPT-302 in wet AMD patients;
- Continue to raise Opthea's profile through awareness of the unmet medical need for wet AMD and rationale for OPT-302 use in this setting;
- Complete the legal-entity simplification process through the de-registration of wholly owned subsidiaries no longer required by the Group.

Inherent Risks of Investment in Biotechnology Companies

Some of the risks inherent in the development of a product to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of the necessary drug regulatory authority approvals and difficulties caused by the rapid advancements in technology. Also a particular compound may fail the clinical development process through lack of efficacy or safety. Companies such as Opthea are dependent on the success of their research projects and technology investments. Investment in research projects and technology-related companies cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Thus investment in these areas must be regarded as speculative taking into account these considerations.

This report may contain forward-looking statements regarding the potential of the company's projects and interests and the development and therapeutic potential of the company's research and development. Any statement describing a goal, expectation, intention or belief of the company is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising drugs that are safe and effective for use as human therapeutics and the financing of such activities. There is no guarantee that the company's research and development projects and interests (where applicable) will receive regulatory approvals or prove to be commercially successful in the future. Actual results of further research and development could differ from those projected or detailed in this report. As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these and other risks concerning the company's research and development program referred to in this report.

Auditor's Independence Declaration

The Directors have obtained a declaration of independence from Deloitte Touche Tohmatsu, the Group's auditor, which is attached to this report.

For and on behalf of the Board:

Geoffrey Kempler
Chairman of the Board

Melbourne
26 February 2016

Deloitte.

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The Board of Directors
Opthea Limited
Suite 403, Level 4
650 Chapel Street
South Yarra VIC 3141

26 February 2016

Dear Board Members

Opthea Limited (formerly Circadian Technologies Limited)

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

As lead audit partner for the review of the financial statements of Opthea Limited for the half year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015

	Note	31 December 2015 $	31 December 2014 $
Revenue			
Finance revenue		229,825	127,889
Other revenue		285,331	238,326
Total Revenue		**515,156**	**366,215**
Other income		7,105	18,515
Research and development expenses		(1,247,188)	(3,211,561)
Patent & intellectual property expenses		(261,995)	(142,936)
Administrative expenses		(1,479,438)	(1,420,832)
Occupancy expenses		(52,890)	(51,615)
Impairment losses on available-for-sale financial assets	7	(247,913)	-
Gain on disposal of subsidiary	6	168,083	-
Net finance income	4	10,733	150,542
Loss before income tax		**(2,588,347)**	**(4,291,672)**
Income tax benefit		856,625	1,272,989
Loss for period		**(1,731,722)**	**(3,018,683)**
Other comprehensive income			
Items that maybe subsequently reclassified to profit or loss:			
Net unrealised losses on non-current listed investments for the period		(757,220)	(356,613)
Reclassification adjustment due to impairment of available-for-sale financial assets held		247,913	-
Reclassification adjustment due to available-for-sale financial assets disposed of in the period		198,451	-
Other comprehensive income for the period, net of tax		(310,856)	(356,613)
Total comprehensive loss for the period		**(2,042,578)**	**(3,375,296)**
Loss for the period is attributable to:			
Non-controlling interest		(24,354)	(78,223)
Owners of the parent		(1,707,368)	(2,940,460)
		(1,731,722)	**(3,018,683)**
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		(101,631)	(131,284)
Owners of the parent		(1,940,947)	(3,244,012)
		(2,042,578)	**(3,375,296)**
Earnings per share for loss attributable for the ordinary equity holders of the parent:			
Basic and diluted loss per share (cents)		(1.14)	(4.58)

Notes to the financial statements are included on pages 15 to 19.

Condensed consolidated statement of financial position as at 31 December 2015

	Note	31 December 2015 $	30 June 2015 $
Current Assets			
Cash and cash equivalents	5	17,757,769	18,435,637
Current tax assets		874,411	3,110,530
Investment in subsidiary	6	169,101	-
Receivables		195,478	234,890
Prepayments		124,602	140,595
Total Current Assets		**19,121,361**	**21,921,652**
Non-current Assets			
Available-for-sale financial assets	7	963,805	2,040,987
Plant and equipment		93,043	110,216
Total Non-current Assets		**1,056,848**	**2,151,203**
Total Assets		**20,178,209**	**24,072,855**
Current Liabilities			
Payables		758,572	1,970,810
Provisions		323,178	277,362
Financial liabilities	8	13,489	-
Total Current Liabilities		**1,095,239**	**2,248,172**
Non-current Liabilities			
Provisions		26,464	41,143
Other liabilities		53,682	61,928
Total Non-current Liabilities		**80,146**	**103,071**
Total Liabilities		**1,175,385**	**2,351,243**
Net Assets		**19,002,824**	**21,721,612**
Equity			
Contributed equity	9	53,842,819	53,840,767
Accumulated losses		(30,082,668)	(28,375,300)
Reserves	10	(4,757,327)	(4,561,457)
Equity attributable to owners of the Company		**19,002,824**	**20,904,010**
Non-controlling interests	11	**-**	**817,602**
Total Equity		**19,002,824**	**21,721,612**

Notes to the financial statements are included on pages 15 to 19.

Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2015

	Contributed equity $	Options reserve $	Share-based payments reserve $	Equity reserve parent $	Unrealised gains reserve $	Accumulated losses $	Attributable to owners of the parent $	Non-controlling interests $	Total equity $
As at 1 July 2015	**53,840,767**	**1,989,067**	**388,040**	**(7,172,143)**	**233,579**	**(28,375,300)**	**20,904,010**	**817,602**	**21,721,612**
Other comprehensive income[1]	-	-	-	-	(233,579)	-	(233,579)	(77,277)	(310,856)
Loss for the period[1]	-	-	-	-	-	(1,707,368)	(1,707,368)	(24,354)	(1,731,722)
Total comprehensive income and expense for the period	-	-	-	-	(233,579)	(1,707,368)	(1,940,947)	(101,631)	(2,042,578)
Change in interest in subsidiary	-	-	-	-	-	-	-	(715,971)	(715,971)
Cost of share based payment	-	-	37,709	-	-	-	37,709	-	37,709
Issue of ordinary shares	2,052	-	-	-	-	-	2,052	-	2,052
Balance as at 31 December 2015	**53,842,819**	**1,989,067**	**425,749**	**(7,172,143)**	**-**	**(30,082,668)**	**19,002,824**	**-**	**19,002,824**
As at 1 July 2014	**39,453,733**	**-**	**146,246**	**(7,172,143)**	**347,054**	**(23,239,721)**	**9,535,169**	**944,087**	**10,479,256**
Other comprehensive income [1]	-	-	-	-	(303,552)	-	(303,552)	(53,061)	(356,613)
Loss for the period[1]	-	-	-	-	-	(2,940,460)	(2,940,460)	(78,223)	(3,018,683)
Total comprehensive income and expense for the period	-	-	-	-	(303,552)	(2,940,460)	(3,244,012)	(131,284)	(3,375,296)
Cost of share based payment	-	-	97,881	-	-	-	97,881	-	97,881
Issue of ordinary shares and share options	14,386,386	1,989,067	-	-	-	-	16,375,453	(500)	16,374,953
Balance as at 31 December 2014	**53,840,119**	**1,989,067**	**244,127**	**(7,172,143)**	**43,502**	**(26,180,181)**	**22,764,491**	**812,303**	**23,576,794**

(1) Amounts are after tax

Notes to the financial statements are included on pages 15 to 19.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2015

	Note	31 December 2015 $	31 December 2014 $
Cash flows from operating activities			
Interest received		256,166	66,935
Royalty and licence income received		63,922	13,401
Sales of reagents		8,338	-
Income tax refunded		3,094,502	121,128
Payments to suppliers, employees and for research and development and intellectual property costs (inclusive of GST)		(3,944,003)	(4,259,224)
Net cash flows used in operating activities		**(521,075)**	**(4,057,760)**
Cash flows from investing activities			
Proceeds from sale of investments		13,439	-
Cash outflow on disposal of subsidiary		(204,910)	-
Net cash flows provided by / (used in) investing activities		**(191,471)**	**-**
Cash flows from financing activities			
Proceeds from issues of equity instruments of the Company:			
Ordinary shares issued		2,052	-
Ordinary shares issued by rights issue		-	3,405,458
Ordinary shares issued through a new placement		-	14,000,000
Payment of share issue costs		-	(1,355,270)
Net cash flows provided by financing activities		**2,052**	**16,050,188**
Net increase/(decrease) in cash and cash equivalents		(710,494)	11,992,428
Net foreign exchange differences		32,626	(166,024)
Cash and cash equivalents at beginning of the period		18,435,637	7,162,020
Cash and cash equivalents at end of the period	5	**17,757,769**	**18,988,424**

Notes to the financial statements are included on pages 15 to 19.

Notes to the condensed consolidated financial statements
For the half-year ended 31 December 2015

1. Corporate information

The consolidated financial report of Opthea Limited for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 26 February 2016.

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

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

2. Basis of preparation and accounting policies

(a) Basis of preparation

This condensed consolidated financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis, except for investments classified as available-for-sale, which are carried at fair value.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and considered together with any public announcements made by Opthea Limited and its controlled entities during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

The financial report is presented in Australian dollars.

(b) Changes in accounting policy

The accounting policies and methods of computation are consistent with those which have been adopted in the most recent annual financial report, except for the impact of the New Standards and Interpretations as set out in note 2(c) below. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

(c) New accounting standards and interpretations

The 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 half-year.

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

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality': Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

3. Segment information

The consolidated entity operates predominantly in one industry and one geographical segment, those being the medical technology and healthcare industry and Australia respectively. There is no seasonality or cyclicality in the operations of the business.

4. Net finance income

	31 December 2015 $	31 December 2014 $
Net foreign exchange gains	24,222	150,542
Financial liabilities at fair value through profit or loss		
Designated on initial recognition	(13,489)	-
Net finance income	**10,733**	**150,542**

5. Cash and cash equivalents

	31 December 2015 $	30 June 2015 $
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	3,257,769	2,285,637
Short term deposits	14,500,000	16,150,000
	17,757,769	**18,435,637**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short term-deposits are with a major bank and are made for varying periods of between 30 days and 90 days, depending on the immediate cash requirements of the Group, and earn interest at a fixed rate for the respective short-term deposit periods. At period end, the average rate was 3.00% (2014 half-year: 3.47%).

6. Investment in subsidiary

During the half 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 31 December 2015.

Analysis of assets and liabilities over which control was lost:	31 December 2015 $	30 June 2015 $
Cash and cash equivalents	204,910	-
Available-for-sale financial assets	313,628	-
	518,538	**-**
Gain on disposal of subsidiary:		
Distribution receivable	169,101	-
Net assets disposed of	(518,538)	-
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	**168,083**	-

7. Non-current assets – Available for sale financial assets

	Ownership interest		Fair value (1)		Cost of investment	
Listed investments	31 Dec 2015 %	30 June 2015 %	31 Dec 2015 $	30 June 2015 $	31 Dec 2015 $	30 June 2015 $
Non-current investments (2)						
Antisense Therapeutics Ltd (3)	5.77	8.14	723,536	1,651,584	3,106,944	3,548,269
Optiscan Imaging Ltd	4.00	4.00	240,269	389,403	786,131	786,131
			963,805	**2,040,987**	**3,893,075**	**4,334,400**

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

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.*

(2) An impairment of investments of $247,913 has been made through profit or loss in the period due to a prolonged and sustained period of their market value being below their original cost.

(3) The carrying amount was also reduced in the period following the de-consolidation of Syngene Limited and its market value holding of $313,628 in Antisense Therapeutics Ltd (see also note 6 above).

8. Financial liabilities

	31 December 2015 $	30 June 2015 $
Financial liabilities at fair value through profit or loss	13,489	-

During the period the company entered into a forward exchange rate contract to purchase the equivalent of $830,000 worth of US dollars at a fixed exchange rate for a term of 12 months. The contract value at 31 December 2015 based on a marked-to-market valuation was $13,489.

9. Contributed equity

	Number of shares	Share capital $
Ordinary shares fully paid:		
Balance at 1 July 2015	148,090,303	53,840,767
Issue of shares to directors on exercise of options	2,100,000	-
Issue of shares on exercise of options	7,600	2,052
Balance at 31 December 2015	**150,197,903**	**53,842,819**

Issued capital at 31 December 2015 amounted to $53,842,819 (150,197,903 fully paid ordinary shares) net of share issue costs, tax and amounts taken to the options reserve. During the half-year, the Company issued 2,100,000 ordinary shares in respect of options exercised under the Long Term Incentive and Non-Executive Director Share and Option plans. The Company also issued 7,600 ordinary shares in respect of the exercise of options issued in November 2014.

10. Reserves

	31 December 2015 $	30 June 2015 $
Options reserve	1,989,067	1,989,067
Net unrealised gains reserve [(1)]	-	233,579
Share-based payments reserve	425,749	388,040
Equity reserve attributable to parent	(7,172,143)	(7,172,143)
Total reserves	**(4,757,327)**	**(4,561,457)**

(1) Movements in net unrealised gains reserve:

Opening balance	233,579	347,054
Net unrealised losses on non-current listed investments for the period after tax attributable to owners of the parent	(679,943)	(113,475)
Reclassification adjustment due to impairment of available-for-sale financial assets held	247,913	
Reclassification adjustment due to available-for-sale financial assets disposed of in the period	198,451	-
Closing balance	-	233,579

11. Non-controlling interest

	31 December 2015 $	30 June 2015 $
Opening balance	817,602	944,087
Share of loss for the period	(24,354)	(88,915)
Share of other comprehensive loss for the period	(77,277)	(37,070)
Additional non-controlling interest arising due to share buy back	-	(500)
Change in interest in subsidiary	(715,971)	-
Closing balance	-	**817,602**

12. Events subsequent to reporting 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.

Directors' declaration

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 Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

      (ii) Complying with Australian Accounting Standards and Corporations Regulations 2001 as disclosed in note 2(a) of the financial statements; and

   b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2015.

On behalf of the Board:

Geoffrey Kempler
Chairman of the Board

Melbourne
26 February 2016

Deloitte.

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Independent Auditor's Review Report to the members of Opthea Limited (previously Circadian Technologies Limited)

We have reviewed the accompanying half-year financial report of Opthea Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medical Developments International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Opthea Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Opthea Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 26 February 2016