ASX Announcement
29 August 2016

Appendix 4E

Preliminary final report

Opthea Limited

ABN: 32 006 340 567

Year ended 30 June 2016 Results for announcement to the market

	30 June 2016 $	30 June 2015 $	% Movement	
Results				
Revenues from ordinary activities	**765,274**	939,008	down	18.5%
Loss from ordinary activities after tax attributable to members	**(6,507,420)**	(5,312,079)	Loss has increased	22.5%
Loss for the year attributable to members	**(6,507,420)**	(5,312,079)	Loss has increased	22.5%
NTA Backing				
Net tangible asset backing per ordinary security	**0.10**	0.15		

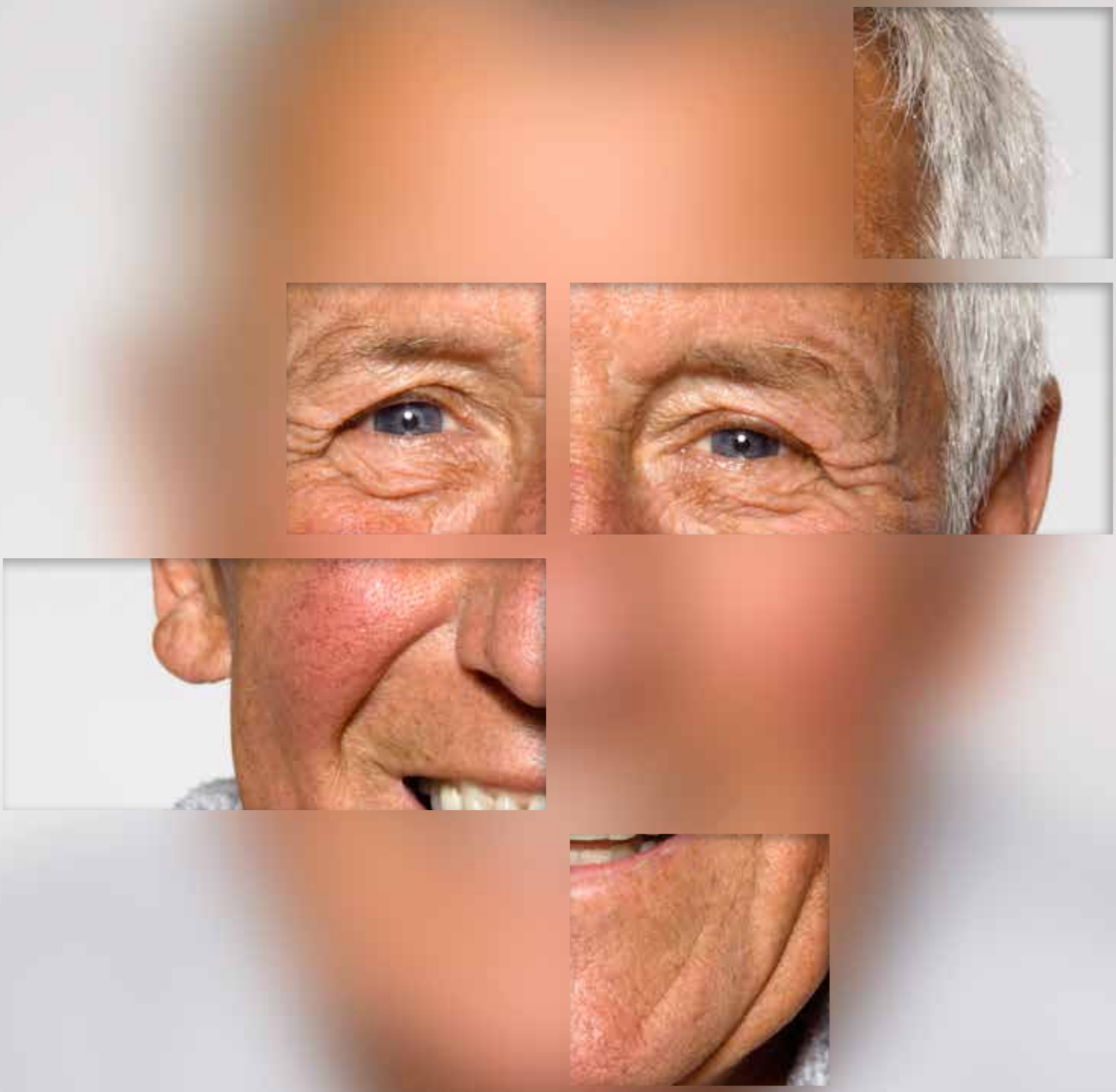
Dividend distribution

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.

Suite 0403, Level 4 650 Chapel Street
South Yarra, Vic 3141, Australia
www.opthea.com
+61 (3) 9826 0399

OPTHEA



Annual Report 2015–2016

Contents

Half the cases of vision loss

are attributable to AMD

Chairman and CEO Overview

We are delighted to report on the considerable progress made over the past 12 months.

Opthea is dedicated to helping patients with inadequately treated wet age-related macular degeneration (wet AMD) with its novel therapeutic OPT-302.

Wet AMD is a progressive disease of the eye that affects the centre of the visual field needed for detailed, sharp vision such as for reading, recognising faces and driving a car. The disease gets worse with time and if left untreated results in blindness. It affects millions of individuals world-wide.

Existing approved treatments have achieved combined sales in excess of US$7 billion per annum. Despite these treatments many patients respond sub-optimally, some not at all, or continue to deteriorate over time. As the leading cause of blindness in the western world and increasing in prevalence as populations age, improved treatments for wet AMD are an increasingly urgent unmet medical need.

Wet AMD is caused by abnormal growth of vessels at the back of the eye, and the leakage of fluid and protein from those vessels lead to severe and rapid loss of vision. The proliferation of these vessels can be inhibited by agents that block the signals involved in their growth. These signals are called vascular endothelial growth factors (VEGFs), of which there are several forms including VEGF-A, VEGF-C and VEGF-D. The existing approved treatments for wet AMD target VEGF-A, but not VEGF-C and VEGF-D.

Opthea's OPT-302 has been specifically developed to target VEGF-C and VEGF-D, for which there are no other similar agents in development. We have growing evidence that OPT-302 can reduce the processes involved in wet AMD.

The Company's business strategy is to develop OPT-302 as a combination therapy to be used together with existing approved inhibitors. This is because about half of the people receiving the existing approved therapies do not experience a significant gain in vision and/or have persistent fluid at the back of the eye.

The Company's business strategy is to develop OPT-302 as a combination therapy to be used together with existing approved therapies.

Combination therapy with OPT-302 and a VEGF-A inhibitor achieves a more complete blockade of the VEGF pathways involved in vessel growth and leakage. OPT-302 may also block mechanisms that are associated with incomplete clinical responses to the currently approved therapies for the disease.

The opportunity for combining OPT-302 (targeting VEGF-C/D) with existing therapies (targeting VEGF-A) is to:

- Increase the number of patients who experience a significant gain in vision
- Increase the magnitude of the vision gain
- Prolong response to therapy and prevent visual decline.

Opthea's Phase 1/2A clinical trial was initiated in July 2015 following US Food & Drug Administration (FDA) approval of our Investigational New Drug (IND) application. In just over 12 months we have reported primary and secondary outcomes from the Phase 1 study of 20 patients and continue to recruit patients into the Phase 2A cohorts. We were pleased to report in April 2016 that the primary safety objective of the Phase 1 study had been met with OPT-302 demonstrating a safe and well tolerated profile in wet AMD patients when administered via intravitreal (ocular) injection on its own (as a monotherapy) and in combination with the VEGF-A inhibitor Lucentis®.

In July 2016 we achieved another important milestone for Opthea reporting positive data in respect of clinical activity outcomes in the Phase 1 clinical study. Evaluation of changes in visual acuity and retinal thickness in patients treated over a 3 month period with OPT-302 alone and in combination with Lucentis® indicated early evidence of clinical activity, demonstrating the potential of OPT-302 to improve outcomes for wet AMD sufferers. The early evidence of an additive benefit of OPT-302 observed in the Phase 1 study is very promising and warrants further investigation of OPT-302 in a large randomised controlled study in wet AMD patients.

Over the next 12 months Opthea will continue to progress the OPT-302 program. Near term clinical milestones are anticipated in the first quarter of 2017 with the reporting of outcomes from the Phase 2A patient cohorts, to be followed by the initiation of a larger Phase 2B wet AMD clinical trial. We will continue to raise the profile of the Company both locally and internationally with presentation of clinical data at ophthalmology and investment meetings including involvement by our clinical advisory board.

On behalf of the Opthea team including our fellow director Michael Sistenich, we thank-you for your support. It is a compelling program and a privilege to be part of a clinical stage company with a novel therapeutic in development for the treatment of the leading cause of blindness in older adults. We look forward to executing our strategy as outlined in this Annual Report.

Geoffrey Kempler

Chairman
Opthea Limited

Megan Baldwin, PhD

CEO & Managing Director
Opthea Limited

Age-related macular degeneration is the leading cause of irreversible vision loss in Australia

OPT-302 blocks signals that are important for blood vessel growth and vascular leakage, two of the hallmarks of wet AMD progression

Wet Age-Related Macular Degeneration

The prevalence of wet AMD is increasing as the population ages

Wet AMD results in a loss of vision in the centre of the visual field

The centre of the visual field is required for fine vision for daily tasks such as reading, recognising faces and driving

Up to

90%

The wet form of age-related macular degeneration accounts for approximately 10% of all cases of late age-related macular degeneration, but it is responsible for up to 90% of cases of severe visual loss

The major risk factors associated with late age-related macular degeneration are advancing age, smoking and a family history of age-related macular degeneration

1 million

It is estimated that there are over 1 million Australians with age-related macular degeneration, which is 1/7 people over the age of 50

Vision loss is the leading cause of age-related disability

40 and older

Among Australians aged 40 and older in 2009, the major causes of vision impairment were age-related macular degeneration (AMD), cataracts, diabetic retinopathy and glaucoma

In choroidal neovascularisation a network of abnormal blood vessels breaks through the retinal layers from the underlying choroid. This leads to haemorrhage, oedema and exudate beneath and within the retina, often resulting in a rapid and profound loss of central vision

167,000

330,000

In the absence of treatment and prevention efforts, the number of Australians with late stage macular degeneration (with vision loss) could double from 167,000 to 330,000 by the year 2030

Directors' Report

The Board of Directors of Opthea Limited submits its report for the year ended 30 June 2016 for Opthea and its subsidiaries.

Information about the Directors

The names of the 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
(appointed on 30 November 2015)

Michael Sistenich
Non-executive director
(appointed on 30 November 2015)

Megan Baldwin
Managing Director and Chief Executive Officer

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)

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

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 McMeckan 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, B.Sc. Grad. Dipp. App. Soc. Psych

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, MSc.

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 Executive Officer of Nohla Therapeutics, 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.

Worldwide market opportunity for wet AMD therapies estimated to be USD10 Billion per annum

Megan Baldwin, PhD, MAICD

Dr Megan Baldwin was appointed CEO and Managing Director in February 2014. Dr Baldwin brings over 19 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]	1,533,674	11,500	4,000,000
Geoffrey Kempler	574,429	285,714	2,000,000
Michael Sistenich	320,000	-	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 2016 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 49,707,097 quoted options to purchase ordinary shares with an exercise price of $0.27 and expiry date of 25 November 2018. During the year, 15,600 options (2015: 3,975) 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 financial year ended 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.

Principal Activities

Opthea Limited's principal activity is to develop and commercialise therapies primarily for eye disease. These development activities are based on the extensive intellectual property portfolio covering key targets (Vascular Endothelial Growth Factors [VEGF]-C, -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.

The therapeutic applications for Opthea's VEGF technology are substantial and broad. Opthea is developing its lead molecule, a soluble form of VEGFR-3 referred to as OPT-302, for the treatment of wet age-related macular degeneration (wet AMD), the leading cause of blindness in the western world in people aged over 55 years.

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 $3,581,295 (2015: $5,585,692). Including personnel costs and other R&D support costs which are recognised through the administrative cost centre, total expenditure in R&D amounted to $5,874,562 (2015: $7,210,267);
- Opthea received an R&D tax incentive payment during the year of $3,094,502 (2015: $2,297,679);
- Royalty income received during the financial year was $329,304 (2015: $515,859);
- Patent costs incurred during the financial year were $254,298 (2015: $259,176);
- The consolidated net loss of the Group for the year was $6,531,774 after an income tax benefit of $1,569,204 (2015: loss of $5,400,994 after an income tax benefit of $2,720,260).

Financial position

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

- Consolidated cash balances as at 30 June 2016 amounted to $14,486,403 (2015: $18,435,637);
- Receivables of $1,808,000 (2015: $3,345,420) include the Opthea Group's expected refund of R&D tax incentives for the year to June 2016 of $1,586,990 (2015: $3,110,530);
- The Group has a net current asset surplus of $14,633,354 (2015: $19,673,480);
- The value of the investment portfolio (available for sale financial assets) decreased by a net $1,725,077 to $315,910 during the year. This was due to the fair value decrease in investments;
- During the 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;
- The net tangible asset backing per share as at 30 June 2016 was $0.10 (2015: $0.15) whereas Opthea's share price was $0.50 (2015: $0.19).

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 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

Opthea's corporate structure is currently being simplified through deregistration or liquidation of several of our wholly-owned subsidiaries. This process is critical to the 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. 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 15 to the financial statements).

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

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.

Opthea's 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 is being developed to be used in combination with existing approved inhibitors of VEGF-A (Lucentis®/ Eylea®). Combined administration of OPT-302 with a VEGF-A inhibitor achieves a more complete blockade of the VEGF pathway and may block mechanisms that are associated with incomplete clinical responses to VEGF-A inhibitors. 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

In July 2016, we announced positive data from Opthea's ongoing first-in-human clinical trial of OPT-302 for wet AMD. The 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 study comprises two parts, a Phase 1 dose-escalation trial of 20 patients and a Phase 2A dose-expansion study in wet AMD patients who have either not been treated previously (treatment naïve patients) or who have demonstrated a sub-optimal response to prior anti-VEGF-A therapy. The trial is investigating OPT-302 administered alone or in combination with Lucentis® on a monthly basis for three months.

The Phase 1 dose escalation study met the primary objective, demonstrating OPT-302 safety and tolerability as a monotherapy and in combination with standard of care Lucentis®, a VEGF-A inhibitor.

Secondary endpoints of the trial including evaluation of visual acuity using eye charts as well as changes in wet AMD lesions, retinal thickness and fluid, demonstrated clinical activity of OPT-302 in both treatment naïve patients and prior-treated patients.

Overall, a majority of patients (16/19), maintained or gained vision by week 12 of the study compared to their baseline visual acuity. By week 12, in patients treated with OPT-302 + Lucentis® therapy, mean gains in visual acuity and reductions in retinal thickness were observed suggesting that combined inhibition of VEGF-C, VEGF-D and VEGF-A may lead to improved outcomes over Lucentis® alone.

These results represent an important milestone for Opthea. The early evidence of an additive benefit of OPT-302 when combined with a VEGF-A inhibitor in this study, demonstrates the potential of OPT-302 to improve clinical outcomes in wet AMD patients.

Recruitment of an additional ~30 patients in the Phase 2A cohorts of the clinical study is ongoing, with reporting of the primary analysis of the Phase 2A trial expected by March 2017. In conjunction with the world-renown members of our clinical advisory board and investigators, Opthea is also planning for initiation of a randomized controlled Phase 2B clinical study in wet AMD patients in 2017.

There is a large unmet medical need that remains for wet AMD patients

To further raise Opthea's profile in the US investment and ophthalmology community, the OPT-302 development program was presented at three 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. Opthea was also selected to present at the OIS in August 2016, an event which was held in conjunction with the American Society of Retinal Specialists (ASRS) meeting in San Francisco.

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.

Concurrent with the Phase 1/2A clinical trials, we have an ongoing collaboration with Schepens Eye Research Institute (Harvard Medical School, Massachusetts 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.

Intellectual property

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

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, that 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 is likely to distribute a dividend of its remaining net assets to its shareholders.

It is anticipated that this will return approximately $160,000 to Opthea, 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 with the liquidation expected to be finalised by 31 March 2017.

Significant changes in the state of affairs

During the year, Syngene Limited entered into members voluntary liquidation and ceased to be consolidated into the Group's accounts on 27 November 2015. Except for this change, in the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Future developments

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 2A dose-expansion cohorts of the Phase 1/2A clinical trial of OPT-302 in wet AMD patients;
- Report primary data from the Phase 2A cohorts by the end of March 2017;
- Publish the outcomes of the Phase 1/2A clinical trial of OPT-302 in wet AMD patients in a peer-reviewed journal;
- Progress preclinical safety/toxicology studies to support a Phase 2B clinical trial of OPT-302 in wet AMD patients;
- Initiate a randomized controlled Phase 2B clinical study of OPT-302 in wet AMD patients;
- Continue to raise Opthea's profile through awareness of the unmet medical need for wet AMD, rationale for OPT-302 use in this setting and presentation of clinical data at international ophthalmology conferences;
- Complete the legal-entity simplification process through the deregistration of wholly owned subsidiaries no longer required by the Group.

Significant events after balance date

On 26 July 2016 the Company announced positive Phase 1 clinical trial data for its 'first-in-human' OPT-302 study in wet AMD patients. The results showed OPT-302 was safe and well tolerated. Secondary outcome measures of the trial, including changes in visual acuity and retinal thickness, demonstrated early evidence of clinical activity and warrant further investigation of OPT-302 in a randomized controlled Phase 2B clinical trial in wet AMD patients. With the exception of the reporting of data from the Phase 1 clinical trial, 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.

Environmental regulations

The Group is not subject to significant environmental regulations.

Indemnification and Insurance

During the financial year ended 30 June 2016, 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 2016. 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	2	5	1
Number of meetings attended:			
Geoffrey Kempler 4	1	2	1
Michael Sistenich 4	1	2	1
Megan Baldwin 8	2	5	1
Dominique Fisher 4	1	3	-
Tina McMeckan 4	1	3	-
Russell Howard 4	1	3	-

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
Tina McMeckan		Dominique Fisher
Dominique Fisher		Tina McMeckan
Russell Howard		Russell Howard

Auditor's Independence declaration

The directors have obtained a declaration of independence from Deloitte Touche Tohmatsu, the Group's auditors, which is set out on page 37 and forms part of the directors' report for the financial year ended 30 June 2016.

Non-Audit Services

Advice in respect of potential options for restructuring the Group was also provided by the entity's auditor, Deloitte Touche Tohmatsu. The Company is satisfied that while providing this advice the auditor maintained its independence.

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 Group 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 2016 Corporate Governance Statement on 29 August 2016. The Corporate Governance Statement is available on Opthea Limited's web site at http://www.opthea.com/pub/pdf/Opthea_CorporateGovernanceStatement2016.pdf

Current therapies for wet AMD target VEGF-A. 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 so as 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 Group'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 Group that is reasonable in the circumstances.

Actual STI payments in the form of cash bonuses to 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 key management personnel (KMP). Payments of the STI bonus are made in the following reporting period.

The remuneration committee considered the STI payment for the 2016 financial year in July 2016. Based on the achievement of operational objectives in the financial year, the remuneration committee has determined there will be $233,750 STI bonus paid to KMP for the 2016 financial year (2015: $213,863).

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 Group'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.

	2016 $	2015 $	2014 $	2013 $	2012 $
Revenue	**765,274**	939,008	878,083	1,153,687	1,485,832
Loss before tax	**(8,100,978)**	(8,121,254)	(6,849,021)	(6,562,515)	(7,308,526)
Tax benefit	**1,569,204**	2,720,260	2,859,403	1,558,009	2,402,070
Loss after tax	**(6,531,774)**	(5,400,994)	(3,989,618)	(5,004,506)	(4,906,456)

	2016 $	2015 $	2014 $	2013 $	2012 $
Basic loss per share	**(0.04)**	(0.05)	(0.08)	(0.10)	(0.10)
NTA backing per share @ 30 June	**0.10**	0.15	0.22	0.33	0.41
Opthea share price @ 30 June	**0.50**	0.19	0.19	0.23	0.35

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.

During the financial year, Megan was granted options to 4,000,000 ordinary shares under the LTIP. These options vested during the financial year and were exercised on 1 July 2015 subject to a holding lock expiring on 1 July 2016.

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

Total compensation for all non-executive directors, last voted on at the 2005 AGM, is not to exceed $500,000 per annum. Currently, non-executive directors are compensated to an aggregate of $457,133 per annum (2015: $300,420), inclusive of superannuation. The 2016 director fees are 91% (2015: 61%) of the aggregate maximum sum approved by shareholders.

The base 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, for wet AMD through Phase 1/2A and 2B 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]	**2016**	52,738	-	5,010	-	-	185,346	243,094	76.24%
	2015	-	-	-	-	-	-	-	-
Michael Sistenich [1]	**2016**	35,000	-	3,325	-	-	92,673	130,998	70.74%
	2015	-	-	-	-	-	-	-	-
Dominique Fisher [2]	**2016**	33,335	-	3,167	-	-	-	36,502	-
	2015	80,004	-	7,600	-	-	101,126	188,730	-
Russell Howard [2]	**2016**	21,250	-	2,019	-	-	-	23,269	-
	2015	51,000	-	4,845	-	-	-	55,845	-
Tina McMeckan [2]	**2016**	21,250	-	2,019	-	-	-	23,269	-
	2015	51,000	-	4,845	-	-	-	55,845	-
Sub-total									
Non-executive directors	**2016**	163,573	-	15,540	-	-	278,020	457,133	-
	2015	182,004	-	17,290	-	-	101,126	300,420	-
Executive directors:									
Megan Baldwin	**2016**	350,004	175,000	47,500	-	-	370,693	943,197	57.86%
	2015	300,000	150,000	42,750	-	-	261,806	754,556	54.58%
Other Key Management Personnel:									
Mike Tonroe	**2016**	234,996	58,750	26,629	-	-	35,771	356,146	26.54%
	2015	201,372	45,309	23,434	-	-	-	270,115	16.77%
Totals	**2016**	**748,573**	**233,750**	**89,669**	**-**	**-**	**684,483**	**1,756,475**	**52.28%**
	2015	683,376	195,309	83,474	-	-	362,932	1,325,091	42.13%

1. Appointed on 30 November 2015: remuneration in the year is for 7 months of service.
2. Resigned on 30 November 2015: remuneration in the year is for 5 months of service.
3. Bonuses are paid in the financial year following the year in which they are earned.

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

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	1,320,000
Geoffrey Kempler	2,000,000	7 March 2016	0.19	0.48	7 March 2021	660,000
Michael Sistenich	1,000,000	7 March 2016	0.19	0.48	7 March 2021	330,000
Mike Tonroe	800,000	31 March 2016	0.24	0.48	31 March 2022	-

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	1,500,000	-
Dominique Fisher	600,000	-

Details of options affecting current and future remuneration

Details of vesting profiles of the options held by each KMP of the Group 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	0%	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	0%	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	0%	0%	1 July 2016	
	340,000	7 March 2016	0%	0%	1 July 2017	
Mike Tonroe	264,000	31 March 2016	0%	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)
Geoffrey Kempler	380,171	-
Michael Sistenich	190,086	-
Megan Baldwin	760,342	285,000
Dominique Fisher	-	114,000
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 during the year	Vested and exercisable
Megan Baldwin	2016	1,500,000	4,000,000	(1,500,000)	-	-	4,000,000	1,320,000	1,320,000
	2015	200,000	1,500,000	-	(200,000)	-	1,500,000	1,500,000	1,500,000
Geoffrey Kempler	2016	-	2,000,000	-	-	-	2,000,000	660,000	660,000
	2015	-	-	-	-	-	-	-	-
Michael Sistenich	2016	-	1,000,000	-	-	-	1,000,000	330,000	330,000
	2015	-	-	-	-	-	-	-	-
Dominique Fisher	2016	600,000	-	(600,000)	-	-	-	-	-
	2015	-	600,000	-	-	-	600,000	600,000	600,000
Other executives									
Mike Tonroe	2016	-	800,000	-	-	-	800,000	-	-
	2015	-	-	-	-	-	-	-	-
Total	**2016**	**2,100,000**	**7,800,000**	**(2,100,000)**	**-**	**-**	**7,800,000**	**2,310,000**	**2,310,000**
	2015	**200,000**	**2,100,000**	**-**	**(200,000)**	**-**	**2,100,000**		**2,100,000**

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	2016	-	-	-	-	574,429	574,429
	2015	-	-	-	-	-	-
Michael Sistenich	2016	-	-	-	-	320,000	320,000
	2015	-	-	-	-	-	-
Dominique Fisher	2016	234,500	-	600,000	-	(834,500)	-
	2015	167,500	-	-	67,000	-	234,500
Tina McMeckan	2016	140,000	-	-	-	(140,000)	-
	2015	100,000	-	-	40,000	-	140,000
Russell Howard	2016	187,517	-	-	-	(187,517)	-
	2015	-	-	-	187,517	-	187,517
Executives							
Megan Baldwin	2016	33,674	-	1,500,000	-	-	1,533,674
	2015	10,674	-	-	23,000	-	33,674
Mike Tonroe	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Total	**2016**	**595,691**	**-**	**2,100,000**	**-**		**2,695,691**
	2015	**278,174**	**-**	**-**	**317,517**		**595,691**

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 29 August 2016.

For and on behalf of the board:

Megan Baldwin
Director

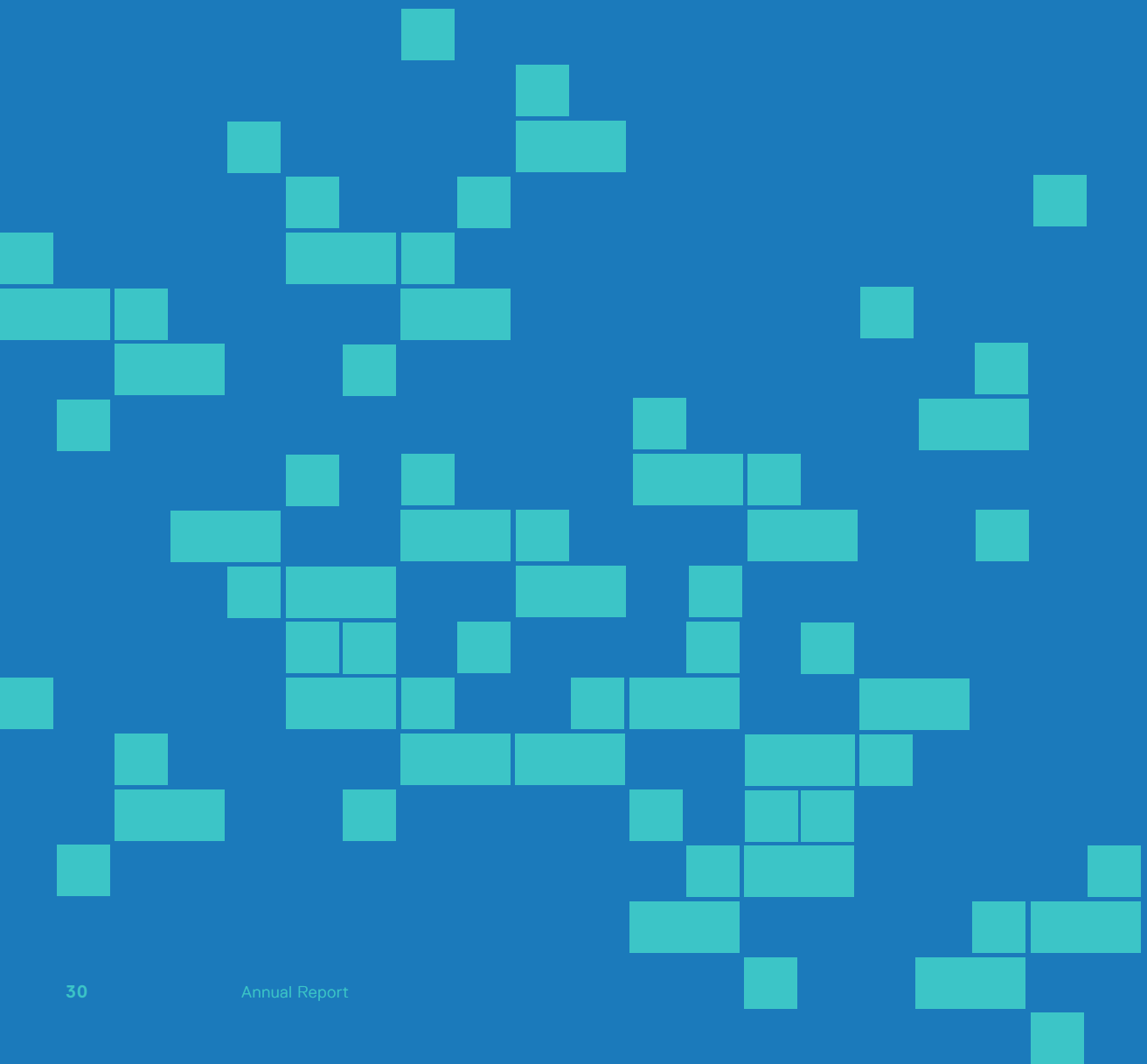
Geoffrey Kempler
Director

Melbourne
29 August 2016

"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

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 Group'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.

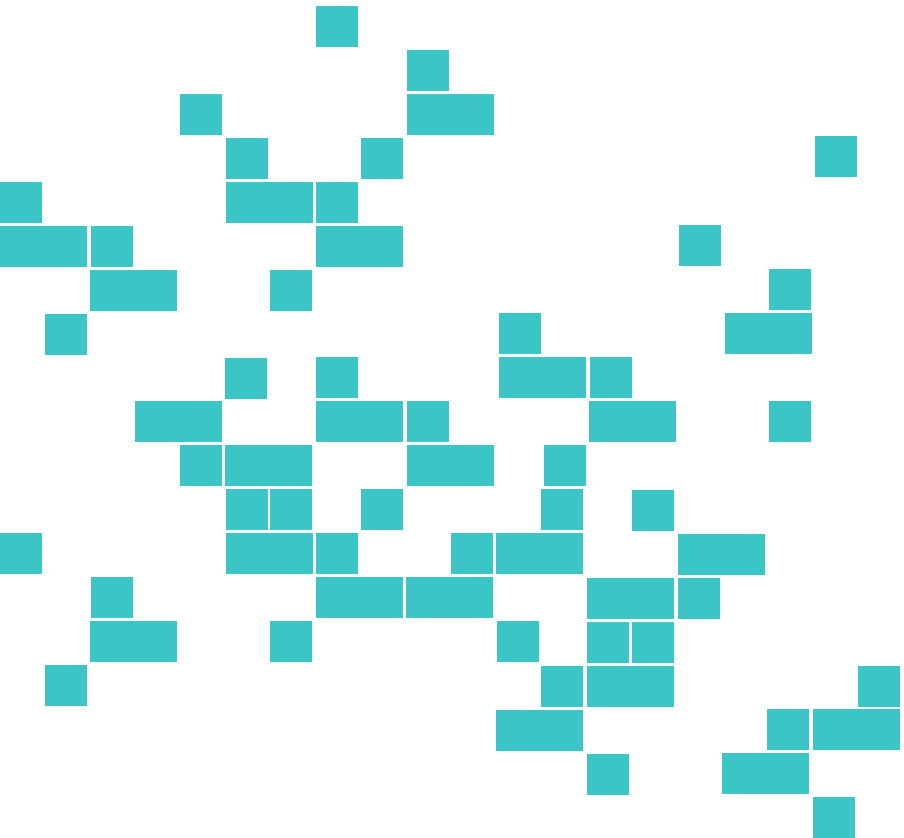
Ian Leitch, Phd
Director – Clinical Research

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 a 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 programmes 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.

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.

Annual Financial Report

ABN 32 006 340 567
Opthea Limited (formerly Circadian Technologies Limited)

Year ended 30 June 2016

Deloitte.

Deloitte Touche Tohmatsu
ABN. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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

29 August 2016

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 2016, 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 Vorwerg
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	Note	2016 $	2015 $
Finance revenue		435,970	423,149
Other revenue		329,304	515,859
Revenue	7	765,274	939,008
Other income	8	15,443	82,882
Research and development expenses	9	(3,581,295)	(5,585,692)
Patent expenses		(254,298)	(259,176)
Intellectual property costs		(94,114)	(85,568)
Administrative expenses	10	(4,048,778)	(3,349,850)
Occupancy expenses	10	(106,470)	(104,218)
Impairment losses on available-for-sale financial assets		(895,808)	-
Gain on disposal of subsidiary		168,082	-
Net foreign exchange (loss)/gain		(69,014)	241,360
Loss before income tax		(8,100,978)	(8,121,254)
Income tax benefit	11	1,569,204	2,720,260
Loss for the year		(6,531,774)	(5,400,994)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Unrealised losses on available for sale assets		(1,405,115)	(215,064)
Income tax on items of other comprehensive income	11	-	64,519
Impairment of available for sale assets		895,808	-
Disposal of available for sale assets		198,451	-
Other comprehensive loss for the period, net of tax		(310,856)	(150,545)
Total comprehensive loss for the period		(6,842,630)	(5,551,539)
Loss for the period is attributable to:			
Non-controlling interests	28	(24,354)	(88,915)
Owners of the parent	22	(6,507,420)	(5,312,079)
		(6,531,774)	(5,400,994)
Total comprehensive loss for the period is attributable to:			
Non-controlling interests		(101,631)	(125,985)
Owners of the parent		(6,740,999)	(5,425,554)
		(6,842,630)	(5,551,539)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
- Basic and diluted loss per share (cents)	12	(4.33)	(4.87)

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 2016

	Note	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	13	14,486,403	18,435,637
Current tax assets	11	1,586,990	3,110,530
Investment in subsidiary	15	169,101	-
Receivables	14	221,010	234,890
Prepayments		182,036	140,595
Total current assets		16,645,540	21,921,652
Non-current assets			
Available-for-sale financial assets	16	315,910	2,040,987
Plant and equipment	17	91,150	110,216
Total non-current assets		407,060	2,151,203
Total assets		17,052,600	24,072,855
Liabilities			
Current liabilities			
Payables	18	1,629,976	1,970,810
Provisions	19	361,206	277,362
Other financial liabilities		21,004	-
Total current liabilities		2,012,186	2,248,172
Non-current liabilities			
Provisions	20	16,826	41,143
Other liabilities		45,434	61,928
Total non-current liabilities		62,260	103,071
Total liabilities		2,074,446	2,351,243
Net assets		14,978,154	21,721,612
Equity			
Contributed equity	21	53,844,979	53,840,767
Accumulated losses	22	(42,054,863)	(28,375,300)
Reserves	22	3,188,038	(4,561,457)
Equity attributable to owners of the company		14,978,154	20,904,010
Non-controlling interests	28	-	817,602
Total equity		14,978,154	21,721,612

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 2016

	Note	Contributed equity $	Options reserve $
As at 1 July 2014		**39,453,733**	**-**
Unrealised losses on available for sale assets*	22	-	-
Loss for the year*		-	-
Total comprehensive income and expense for the year		-	-
Recognition of share-based payment	22	-	-
Transfer of share-based payments reserve to retained earnings	22	-	-
Issue of ordinary shares and share options		14,387,034	1,989,067
Balance at 30 June 2015		**53,840,767**	**1,989,067**
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**

* 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 $
146,246	**(7,172,143)**	**347,054**	**(23,239,721)**	**9,535,169**	**944,087**	**10,479,256**
-	-	(113,475)	-	(113,475)	(37,070)	(150,545)
-	-	-	(5,312,079)	(5,312,079)	(88,915)	(5,400,994)
-	-	(113,475)	(5,312,079)	(5,425,554)	(125,985)	(5,551,539)
418,294	-	-	-	418,294	-	418,294
(176,500)	-	-	176,500	-	-	-
-	-	-	-	16,376,101	(500)	16,375,601
388,040	**(7,172,143)**	**233,579**	**(28,375,300)**	**20,904,010**	**817,602**	**21,721,612**
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**

Consolidated statement of Cash Flows for the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Interest received		471,615	370,567
Royalty and licence income received		324,876	527,982
Grant income		-	215,396
Sales of reagents		8,338	1,315
Payments to suppliers, employees and for research & development and intellectual property costs (inclusive of GST)		(7,580,567)	(8,433,956)
Income tax refund		3,094,502	2,292,040
Net cash flows used in operating activities	25	(3,681,236)	(5,026,656)
Cash flows from investing activities			
Proceeds from sale of investments		13,440	39,185
Cash outflow on disposal of subsidiary		(204,911)	-
Purchase of plant and equipment		(11,725)	-
Net cash flows provided by investing activities		(203,196)	39,185
Cash flows from financing activities			
Proceeds from issues of equity instruments of the Company		4,212	-
Ordinary shares and options issued by rights issue		-	3,406,106
Ordinary shares and options issued through a new placement		-	14,000,000
Payment of share issue costs		-	(1,355,270)
Net cash flows provided by financing activities		4,212	16,050,836
Net (decrease)/increase in cash and cash equivalents		(3,880,220)	11,063,365
Effects of exchange rate changes on the balance of cash held in foreign currencies		(69,014)	210,252
Cash and cash equivalents at beginning of year		18,435,637	7,162,020
Cash and cash equivalents at the end of the year	13	14,486,403	18,435,637

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 29 August 2016.

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 2016 and 2015 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, excluding capitalised development costs, 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.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

The parent's non-current payables include loans from subsidiaries which are not interest bearing. The relevant subsidiaries have agreed that the loans to the parent will not be recalled for a period of 12 months from the date the directors adopt the annual financial statements of the parent. Loans payable to subsidiaries in the parent's accounts are financial liabilities carried at amortised cost.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

Equity settled 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.

(iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Notes to the Consolidated Financial Statements

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.

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

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 2016, losses of $895,808 (2015: $Nil) have been booked 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, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxation profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future operating costs, capital expenditure and the possible timing of realising capital gains taxes/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.

Carrying value of investment in subsidiary

The Company recognised certain adjustments in the accounts of the parent entity that were made as a result of the simplification of the group's legal structure at 30 June 2015 (refer to note 34).

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 Monte Carlo and Binomial models. The related assumptions are detailed in note 30. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period 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

In the current year, the Group has applied amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end. The amendment relevant to the Group was:

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

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and relevant to the Group.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8' Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2017	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers	1 January 2018	30 June 2019

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

	2016 $	2015 $
(a) Finance revenue		
Interest from:		
- Bank	435,970	417,510
- Other unrelated persons	-	5,639
	435,970	423,149
(b) Other revenue		
Royalties and licence fees	329,304	515,859
Total Revenue	765,274	939,008

8. Other income

	2016 $	2015 $
Net gain on disposal of available-for-sale investments	7,105	20,302
Government grant income (i)	-	61,265
Other	8,338	1,315
	15,443	82,882

(i) Government grants during the financial year were paid directly to suppliers by the awarding agency as a contribution towards the Group's research and development costs.

9. Research and development expenses

	2016 $	2015 $
Research project costs (i)	3,581,295	5,585,692
	3,581,295	5,585,692

(i) The research project costs relate to the development programs in respect to the Vascular Endothelial Growth Factors (VEGF) based therapeutics.

10. Expenses

	2016 $	2015 $
(a) Impairment losses		
Listed financial investments	895,808	-
(b) Occupancy expenses		
Operating lease rentals	78,339	77,855
Outgoings	28,131	26,363
Total occupancy expense	106,470	104,218
(c) Administrative expenses		
Depreciation of:		
Equipment and furniture	17,597	25,368
Leasehold improvements	13,194	13,194
Total depreciation expense	30,791	38,562
Employee benefits expenses:		
Salaries and fees	1,722,489	1,643,096
Cash bonuses	335,440	335,440
Superannuation	189,287	180,773
Share-based payments expense	770,557	383,864
Total employee benefits expense	3,017,773	2,543,173
Other expenses:		
Travel expenses	44,361	108,929
Insurance	90,255	89,434
Consultancy fees	82,978	39,841
Legal fees	61,071	-
Payroll tax	97,112	72,300
Investor relations costs	331,222	171,828
Audit and accounting	137,751	147,630
Other expenses	155,464	138,153
Total other expenses	1,000,214	768,115
Total administrative expenses	4,048,778	3,349,850

Notes to the Consolidated Financial Statements

11. Income tax

	2016 $	2015 $
(a) Income tax benefit		
The major components of income tax benefit are:		
Statement of Comprehensive Income		
Current tax		
Current income tax credit	1,586,990	3,110,530
Under recognition of prior year benefit	(17,786)	-
	1,569,204	3,110,530
Deferred tax		
In respect of the current year	-	(390,270)
Total income tax benefit recognised in the statement of comprehensive income	1,569,204	2,720,260
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items credited/(charged) directly to equity		
Net unrealised gain/(loss) on listed investments	-	64,519
Share issue expenses deductible over 5 years	-	325,265
Income tax benefit/(expense) reported in equity	-	389,784
(c) Current tax assets		
Research and Development Tax incentive credit receivable	1,586,990	3,110,530

(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:

	2016 $	2015 $
Accounting loss before tax	(8,100,978)	(8,121,254)
At the parent entity's statutory income tax rate of 30% (2015: 30%)	2,430,293	2,436,376
Research and development tax credit refundable	1,586,990	3,110,530
Write off of temporary differences and tax losses not recovered	(2,442,743)	(2,880,739)
Adjustments recognised in current year in relation to the current tax of prior year	(5,336)	54,093
Income tax benefit reported in the statement of comprehensive income	1,569,204	2,720,260

	2016 $	2015 $
(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:		
Revaluation of listed investments to fair value	-	(11,499)
Interest and royalty income receivable (future assessable income)	(133,806)	(57,179)
	(133,806)	(68,678)
Deferred tax assets:		
Other timing differences including income received in advance	51,979	117,076
Employee provisions	113,410	95,551
Temporary differences:		
Associated with intellectual property	1,771,563	2,488,932
Associated with other miscellaneous items	277,099	395,669
	2,214,051	3,097,228
Less: temporary differences not recognised	(2,080,245)	(3,028,550)
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 $2,080,245 at year end (2015: $3,028,550).

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 $13,973,706 and capital losses of $877,704 at year end (2015: income tax losses of $12,857,080 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 (2015: $330,630), which represents the amount of franking credits available for the subsequent financial year.

12. Earnings per share

	2016 $	2015 $
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	(6,507,420)	(5,312,079)
(b) Weighted average number of shares		
Weighted average number of ordinary shares on issue for basic earnings per share	150,197,213	109,093,292
Effect of dilution:		
Conditional rights	-	-
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	150,197,213	109,093,292

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

	2016 $	2015 $
Cash at bank and in hand	2,986,403	2,285,637
Short-term deposits	11,500,000	16,150,000
	14,486,403	18,435,637

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 2.87% (2015: 2.93%).

14. Current assets - receivables

	2016 $	2015 $
Interest receivable	19,215	54,860
GST receivable (i)	80,091	60,746
Other (i)	121,704	119,284
Total current receivables	221,010	234,890

(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 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:

	2016 $	2015 $
Cash and cash equivalents	204,911	-
Available-for-sale financial assets	313,628	-
	518,539	-
Gain on disposal of subsidiary:		
Distribution receivable	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	168,082	-

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

	2016 $	2015 $
Listed Australian shares - at fair value	315,910	2,040,987

Details of listed Australian shares

	Ownership Interest		Fair value (1)		Cost of investment	
Listed investments	2016 %	2015 %	2016 $	2015 $	2016 $	2015 $
Non-current investments (2):						
Antisense Therapeutics Ltd (3)	5.77%	8.14%	315,910	1,651,584	3,106,944	3,548,269
Optiscan Imaging Limited	2.66%	4.00%	-	389,403	786,131	786,131
Total listed investments			315,910	2,040,987	3,893,075	4,334,400

(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) An impairment of investments of $895,808 has been made through profit or loss in the year 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 15 above).

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

17. Non-current assets - plant and equipment

	2016 $	2015 $
Equipment and furniture at cost		
Opening balance	175,865	175,865
Additions	11,725	-
Disposals	(12,133)	-
Closing balance	175,457	175,865
Accumulated depreciation		
Opening balance	(118,939)	(93,571)
Depreciation for the year	(17,597)	(25,368)
Disposals	12,133	-
Closing balance	(124,403)	(118,939)
Net carrying amount	51,054	56,926
Leasehold improvements at cost		
Opening balance	79,165	79,165
Additions	-	-
Disposals	-	-
Closing balance	79,165	79,165
Accumulated depreciation		
Opening balance	(25,875)	(12,681)
Depreciation for the year	(13,194)	(13,194)
Disposals	-	-
Closing balance	(39,069)	(25,875)
Net carrying amount	40,096	53,290
Total plant and equipment, net	91,150	110,216

Notes to the Consolidated Financial Statements

18. Current liabilities - payables

	2016 $	2015 $
Creditors (unsecured) (i)	1,584,034	1,714,440
Income received in advance	-	212,602
PAYG tax liability	45,942	43,768
	1,629,976	1,970,810

(i) Creditors are non-interest bearing and are normally settled on 30 day terms.

19. Current liabilities - provisions

	2016 $	2015 $
Annual leave	209,083	180,182
Long service leave	152,123	97,180
	361,206	277,362

20. Non-current liabilities - provisions

	2016 $	2015 $
Long service leave	16,826	41,143

21. Contributed equity

	2016 $	2015 $
(a) Ordinary shares		
Issued and fully paid at 30 June	53,844,979	53,840,767
Movement in ordinary shares:		
Opening balance	53,840,767	39,453,733
Issue of shares	4,212	17,406,106
Share issue costs	-	(1,355,270)
Income tax relating to share issue costs	-	325,265
Transfer to option reserve	-	(1,989,067)
	53,844,979	53,840,767
Ordinary shares on issue:	**No:**	**No:**
Opening balance	148,090,303	48,633,015
Issue of shares on exercise of LTIP and NED plan options	2,100,000	-
Issue of shares	15,600	99,457,288
	150,205,903	148,090,303

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

Issued capital at 30 June 2016 amounted to $53,844,979 (150,205,903 fully paid ordinary shares) net of share issue costs, tax and amounts taken to the options reserve. During the year, the company converted 15,600 options to ordinary fully paid shares for $4,212. The company had on issue quoted options to purchase 49,707,097 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, under which options to subscribe for the Company's shares have been granted to certain employees and directors. The company issued 9,725,000 (2015: 2,100,000) share options over ordinary shares under these plans during the year. These share options had a weighted average fair value at their grant date of $0.20 (2015: $0.17) 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

	2016 $	2015 $
(a) Movements in retained earnings were as follows:		
Balance at 1 July	(28,375,300)	(23,239,721)
Net loss for the period	(6,507,420)	(5,312,079)
Transferred from Equity Reserve	(7,172,143)	
Release of amortised share based payments	-	176,500
Balance at 30 June	(42,054,863)	(28,375,300)
(b) Reserves		
Net unrealised gains reserve (i)	-	233,579
Share-based payments reserve (ii)	1,198,971	388,040
Option reserve (iii)	1,989,067	1,989,067
Equity reserve attributable to parent (iv)	-	(7,172,143)
Total reserves	3,188,038	(4,561,457)
(i) Movement in net unrealised gains reserve:		
Opening balance	233,579	347,054
Unrealised losses on available for sale assets	(1,405,115)	(215,064)
Tax effect on above net losses (note 11)	-	64,519
NCI share of revaluation of listed investments net of tax	77,277	37,070
Unrealised losses on available for sale assets after tax and NCI	(1,327,838)	(113,475)
Impairment of available for sale assets	895,808	-
Disposal of available for sale assets	198,451	-
Closing balance	-	233,579
(ii) Movement in share-based payments reserve:		
Opening balance	388,040	146,246
Share based payments expense	810,931	418,294
Transferred to retained earnings	-	(176,500)
Closing balance	1,198,971	388,040
(iii) Movement in option reserve:		
Opening balance	1,989,067	-
Fair value of quoted options issued	-	1,989,067
Closing balance	1,989,067	1,989,067
(iv) Movement in equity reserve attributable to parent:		
Opening balance	(7,172,143)	(7,172,143)
Transferred to Retained Earnings	7,172,143	-
Closing balance	-	(7,172,143)

(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 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 2016, given that the interest risk associated with the Group and parent relates solely to interest income (the Group has no third party borrowings), 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	
	2016 $	2015 $	2016 $	2015 $
Consolidated				
+ 0.50% (50 basis points) (2015: + 0.50%)	57,719	80,750	-	-
- 0.50% (50 basis points) (2015: - 0.50%)	(57,719)	(80,750)	-	-

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 2016 (2015: 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 2016, 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
	2016 $	2016 $	2015 $	2015 $
Consolidated				
Change in variables				
10% increase in listed share price	33,713	33,713	-	142,869
10% decrease in listed share price	(33,713)	(33,713)	-	(142,869)

(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:

2016	Consolidated					
	USD	EURO	GBP	CAD	CHF	JPY
	2016 $	2016 $	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)	-	-

2015	Consolidated					
	USD	EURO	GBP	CAD	CHF	JPY
	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $
Financial assets						
Cash	1,007,768	-	-	-	-	-
Receivables	70,440	1,449	-	-	-	-
Financial liabilities						
Payables	(338,056)	(8,853)	(18,849)	(313,860)	(55,905)	(6,124)
Net exposure	740,152	(7,404)	(18,849)	(313,860)	(55,905)	(6,124)

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

At 30 June 2016, 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	
	2016 $	2015 $	2016 $	2015 $
Consolidated				
AUD/USD +5%	(79,502)	(35,245)	-	-
AUD/USD -10%	185,504	82,239	-	-
AUD/Euro +5%	(70)	353	-	-
AUD/Euro-10%	162	(823)	-	-
AUD/GBP +5%	102	898	-	-
AUD/GBP -10%	(237)	(2,094)	-	-

Notes to the Consolidated Financial Statements

The reasonably possible movements at 30 June 2016 are higher than at 30 June 2015 due to the higher net exposure to the US dollar. There was minimum or insignificant exposure to the GBP and Euro 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 2016 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:

	Parent entity % equity interest	
Name of company	2016 %	2015 %
Vegenics Pty Ltd	100	100
Polychip Pharmaceuticals Pty Ltd	100	100
A.C.N 160 199 977 Pty Ltd (formerly Opthea Pty Ltd, dormant)[1]	100	100
Ceres Oncology Pty Ltd (dormant)[1]	100	100
Precision Diagnostics Pty Ltd (dormant)[1]	100	100
Circadian Shareholdings Pty Ltd (dormant)[1]	100	100
Syngene Limited (in liquidation)	-	52

[1] The Company passed a resolution in August 2016 to voluntarily deregister these subsidiaries and for a form 6010 for each to be lodged with ASIC.

Opthea Limited is the ultimate parent entity.

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

	2016 $	2015 $
Cash at bank and in hand (note 13)	14,486,403	18,435,637
	14,486,403	18,435,637

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

Net loss for the year	(6,531,774)	(5,400,994)
Adjustments for:		
Income tax benefit recognised in profit or loss	(1,569,204)	(2,720,260)
Depreciation of non-current assets	30,791	38,562
Net loss on disposal of non-current assets	(168,082)	-
Net profit on disposal of investments	(7,105)	(20,302)
Share-based payments - directors and employees	770,557	383,864
Share-based payments - corporate advisory services	40,374	34,430
Impairment losses on non-current financial investments	895,808	-
Impairment loss recognised on trade receivables	-	18,544
Net exchange differences	69,014	(210,252)
	62,153	(2,475,414)
Movements in working capital:		
Increase in prepayments	(41,441)	(27,474)
Decrease in interest and other receivables	12,121	160,387
(Decrease)/increase in payables	(336,324)	352,789
Increase in employee provisions	59,527	72,010
Net cash used in operating activities	(6,775,738)	(7,318,696)
Income tax refund	3,094,502	2,292,040
Net cash generated by operating activities	(3,681,236)	(5,026,656)

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.

	2016 $	2015 $
Within one year	147,517	146,056
After one year but not more than five years	225,908	318,133
	373,425	464,189

(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:

	2016 $	2015 $
Within one year	3,869,199	2,088,372
After one year but not more than five years	325,726	831,280
After more than five years	235,120	254,636
	4,430,045	3,174,288

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 (2015: $NIL) and those which could become payable in more than one year total $15,778,838 (2015: $15,412,932). 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 2016 in respect of a rental deposit for its office premises of $43,841 (2015: $43,841).

28. Non-controlling interest

	2016 $	2015 $
Balance at beginning of year	817,602	944,087
Share of (loss)/profit for the period	(24,354)	(88,915)
Share of other comprehensive income 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)	-
Balance at end of year	-	817,602

29. Key management personnel

(a) Compensation of Key Management Personnel

	2016 $	2015 $
Short-term employee benefits	982,323	878,685
Post employment benefits	89,669	83,474
Share-based payments expense	684,483	362,932
Total compensation	1,756,475	1,325,091

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

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

Director related party transactions:

Purchases

Website expenses totalling $Nil (2015: $4,883) were incurred during the year by the Group for services provided by Helix Digital Pty Ltd of which Dominique Fisher, former chairman of the Company, was the managing director. These fees were charged at a discount to the company's commercial rates.

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:

	2016 $	2015 $
Expense arising from equity-settled share-based payment transactions:		
Director and employee services received	770,557	383,864
Corporate advisory services	40,374	34,430
	810,931	418,294

(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. 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.

All rights granted and vested under the Conditional Rights Scheme established on 4 March 2011 lapsed during the 2015 financial year. No rights are eligible to be exercised by any of the recipients under this scheme. 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
Conditional rights scheme – March '11	22 March 2011	$0.25	$0.00	31 March 2015	4 September 2012
Conditional rights scheme – May '12	16 May 2012	$0.11	$0.00	31 March 2015	4 September 2012
Long term incentive plan (LTIP)	18 November 2014	$0.17	$0.00	25 May 2018	25 May 2015
Non-executive director share and option plan (NED Plan)	18 November 2014	$0.17	$0.00	25 May 2018	25 May 2015
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 in the year

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.

	LTIP - Director	NED Plan	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 period

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

	30 June 2016		30 June 2015	
	Number of options and rights	Weighted average exercise price $	Number of options and rights	Weighted average exercise price $
Balance at beginning of year	3,100,000	$0.085	805,000	-
Granted during the year:				
To directors under the LTIP and NED Plan	7,000,000	$0.48	2,100,000	-
To employees under the LTIP	2,725,000	$0.48	-	-
Corporate advisory	-	-	1,000,000	$0.26
Exercised during the year	(2,100,000)	-	-	-
Expired during the year	-	-	(805,000)	-
Balance at end of year	10,725,000	$0.46	3,100,000	$0.085
Exercisable at end of year	3,310,000	$0.41	2,100,000	-

The share options outstanding at the end of the year had a weighted average exercise price of $0.46 (2015: $0.085) and a weighted average remaining contractual life of 1,680 days (2015: 1,017 days).

Notes to the Consolidated Financial Statements

31. Net tangible asset backing

	2016 $	2015 $
Net tangible asset backing per ordinary security	0.10	0.15

32. Auditors' remuneration

The auditor of Opthea Limited is Deloitte Touche Tohmatsu.

	2016 $	2015 $
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	92,700
Other services in relation to the entity and any other entity in the consolidated group	6,500	-
	91,065	92,700

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

	2016 $	2015 $
Current assets	15,357,368	20,257,261
Non current assets	751,956	2,059,563
Total assets	16,109,324	22,316,824
Current liabilities	(1,908,827)	(1,103,386)
Non current liabilities	(252,999)	(148,747)
Total liabilities	(2,161,826)	(1,252,133)
Net assets	13,947,498	21,064,691
Issued capital	53,844,979	53,840,767
Retained earnings	(43,085,518)	(35,181,787)
Option reserve	1,989,067	1,989,067
Employee equity benefits reserve	1,198,970	388,040
Net unrealised gains reserve	-	28,604
Total shareholders' equity	13,947,498	21,064,691

(b) Financial performance

	Year ended 30 June 2016	Year ended 30 June 2015
Loss of the parent entity	(7,903,731)	(27,616,726)
Other comprehensive income/(expense)	(28,604)	98,594
Total comprehensive loss of the parent entity	(7,932,335)	(27,518,132)

(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 2016 (2015: Nil).

(d) Parent entity contingent liabilities

The parent entity had a bank guarantee outstanding at 30 June 2016 in respect of a rental deposit for its office premises of $43,841 (2015: $43,841).

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

The parent entity has provided a written guarantee to all 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.

(f) Legal entity simplification

Consistent with the strategic focus of the Group in developing the OPT-302 asset and to prepare for the simplification of the legal entity structure, the parent entity has forgiven loans and receivables to wholly owned subsidiaries during the period ended 30 June 2016. The elimination of these intercompany balances has resulted in a reduction of non-current assets totalling $1.3 million (2015: $48.7 million) and non-current liabilities totalling $112,523 (2015: $27.3 million). This treatment also resulted in an impairment of the investments in the subsidiaries of the Company totalling $1.1 million (2015: $6 million). The net effect of these adjustments on the parent entity's loss for the year was $2.3 million (2015: $27.4 million). The net assets of the parent entity are now aligned with those of the consolidated group.

Directors Declaration
for the year ended 30 June 2016

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 2016 and of its performance for the year ended on that date; and

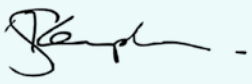
   (ii) complying with Australian Accounting Standards, Corporations Regulations 2001, and International Financial Reporting Standards (IFRS) as disclosed in note 3 of the financial statements; and

   (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 2016.

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
Director

Geoffrey Kempler
Director

Melbourne
29 August 2016

Deloitte Touche Tohmatsu
ABN. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Opthea Limited

Report on the Financial Report

We have audited the accompanying financial report of Opthea Limited, which comprises the statement of financial position as at 30 June 2016, the statement profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 38 to 74.

Directors' Responsibility for the Financial Report

The directors of the company 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 Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Opthea Limited is 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 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 28 of the directors' report for the year ended 30 June 2016. The directors of the company 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.

Opinion

In our opinion the Remuneration Report of Opthea Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 29 August 2016

ASX Additional Information

1. Distribution of equity securities

The number of shareholders, by size of holding, of quoted fully paid ordinary shares as at 9 August 2016 is as follows:

	Fully paid ordinary shares	
Category	No. of holders	No. of shares
1 - 500	92	23,991
501 - 1,000	357	340,821
1,001 - 5,000	1,051	2,822,343
5,001 - 10,000	352	2,764,866
10,001 - 100,000	434	14,283,084
100,001 - 9,999,999,999	77	129,970,798
Total	**2,363**	**150,205,903**
Number of shareholders holding less than a marketable parcel of shares	125	45,204

2. Twenty largest shareholders

The names of the 20 largest holders of quoted fully paid ordinary shares and their respective holdings at 9 August 2016 are:

Rank	Name	No. of shares	% interest
1	National Nominees Limited	23,039,342	15.34
2	HSBC Custody Nominees (Australia) Limited-GSCO ECA	15,316,036	10.20
3	Citicorp Nominees Pty Limited	13,915,370	9.26
4	HSBC Custody Nominees (Australia) Limited	12,838,520	8.55
5	BNP Paribas Noms Pty Ltd <Drp>	12,824,221	8.54
6	J P Morgan Nominees Australia Limited	7,921,273	5.27
7	Jagen Pty Ltd	7,116,022	4.74
8	Armada Trading Pty Limited	6,714,286	4.47
9	Ludwig Institute For Cancer Research Ltd	3,122,090	2.08
10	Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	2,003,012	1.33
11	Capital Macquarie Pty Limited	1,928,304	1.28
12	Megan Baldwin	1,533,674	1.02
13	Octavian Services Pty Ltd	1,200,000	0.80
14	Chemical Trustee Limited	1,158,108	0.77
15	CS Fourth Nominees Pty Limited <Hsbc Cust Nom Au Ltd 11 A/C>	1,037,059	0.69
16	Mr Graeme Southwick + Mrs Suzanne Southwick <Graeme Southwick S/Fund A/C>	1,000,000	0.67
17	Capita Trustees Limited <Mk Pension Plan-473278 A/C>	946,462	0.63
18	Traders Macquarie Pty Limited	907,161	0.60
19	Montoya Pty Ltd	742,858	0.49
20	JFF Steven Pty Ltd	714,867	0.48
Top 20 holders of ordinary fully paid shares		115,978,665	77.21
Total remaining holders balance		34,227,238	22.79

ASX Additional Information

3. Substantial shareholders

The following information is current at 1 August 2016 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	26,816,436
Baker Brothers Life Sciences LP	13,537,758
Packer and Co Limited	12,700,488

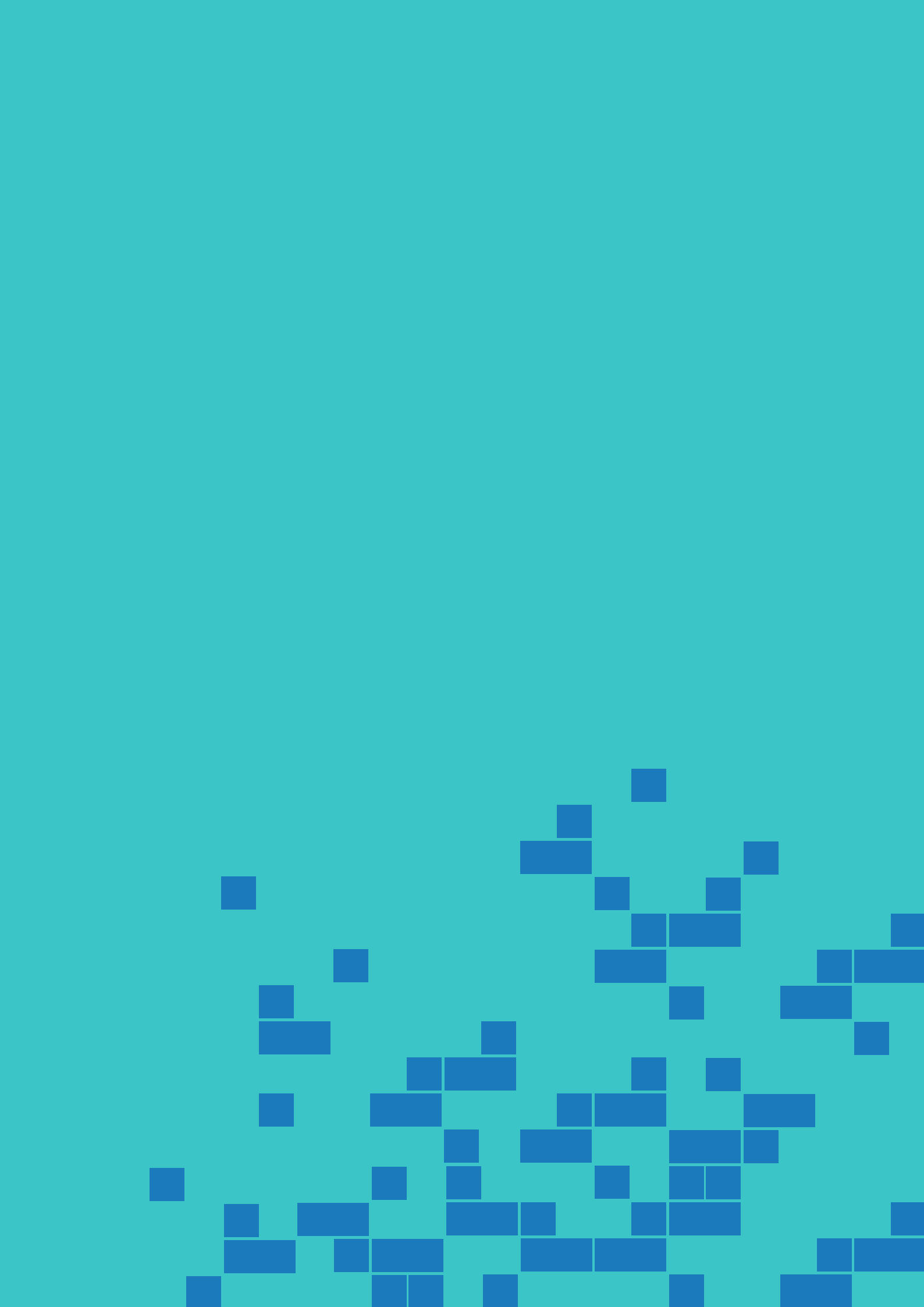
4. Voting rights

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) and the OTC Markets Group Inc. (OTCQX code: CKDXY).

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	Level 4,650 Chapel Street, South Yarra, Victoria 3141
Office	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). Opthea also operates an American Depositary Receipt (ADR) program where One ADR is the equivalent of 5 shares. ADRs are publicly traded on the OTC QX in the United States of America (code: CKDXY).



Opthea Limited
ABN 32 006 340 567

Level 4,650 Chapel Street, South
Yarra, Victoria 3141

Telephone: +61 (3) 9826 0399
Facsimile: +61 (3) 9824 0083

www.opthea.com