

APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2017
ZELDA THERAPEUTICS LTD

The following information is given to ASX under listing rule 4.3A.

1. Reporting period

Current Period **12 months ended 30 June 2017**

Prior Period **12 months ended 30 June 2016**

2. Results for announcement to the market

Consolidated Group	Item		AUD \$	% Change		AUD \$
Revenue – excluding interest received	2.1	down	149,958	60	to	100,042
Loss after tax attributable to members	2.2	up	(5,932,987)	2,644	to	(6,157,415)
Net loss attributable to members	2.3	up	(5,932,987)	2,644	to	(6,157,415)
Dividend	2.4	N/A				

Overview

The principal activities of Zelda Therapeutics Limited and controlled entity (“Group”) during the financial year include the following:

Zelda Therapeutics Limited is an Australian-based bio-pharmaceutical company that is focused on developing a range of cannabinoid-based formulations for the treatment of a variety of medical conditions. The Company has a two-pronged strategy comprising:

- A human clinical trial programme focused on insomnia, autism and eczema; and
- A pre-clinical research programme examining the effect of cannabinoids in breast, brain and pancreatic cancer.

The Company has secured certain rights to medicinal cannabis based formulations and treatment protocols developed over many years by a California-based group (Aunt Zelda’s) that has a very high profile within the USA and a growing international profile.

Overview of results

For the year ended 30 June 2017 (“FY2017”), revenue decreased by \$85,408 or 34% when compared with the year ended 30 June 2016 (“FY2016”) on a year-on-year basis. On the other hand, net result changed from a net loss of \$224,428 in FY2016 to a net loss of \$6,157,415.

Financial Position

The net assets of the consolidated Group increased by \$8,120,958 from (\$224,427) at 30 June 2016 to \$7,896,531 at 30 June 2017. This increase relates mainly to the following factors:

- loss after tax attributable to members of \$6,157,415, being offset by;
- Successful capital raising of \$10,000,000 before costs;
- Listing expense arising under the reverse acquisition of \$3,015,692.

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Notwithstanding the net loss and increase in cash utilised in operating activities, the Group is able to maintain a healthy working capital ratio. The Group's working capital has increased from \$(224,427) as at 30 June 2016 to \$7,896,531 as at 30 June 2017.

Significant Changes in the State of Affairs

Refer to attached financial statements

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

Refer to attached financial statements.

4. Consolidated Statement of Financial Position

Refer to attached financial statements.

5. Consolidated Statement of Cashflow

Refer to attached financial statements.

6. Dividends Paid or Recommended

The Directors have not recommended or paid a dividend.

7. Details of any Dividend or distribution reinvestment plans

The Company does not have any distribution reinvestment plans.

8. Statement of movements in Retained Earnings

Refer to attached financial statements.

9. Net tangible assets per security

	30 June 2017	30 June 2016
Number of securities	754,841,934	1
Net tangible assets per security in cents	1.04	(224,427)

10. Changes in controlled entities

Reverse acquisition of Zelda Therapeutics Pty Ltd

On 18 November 2016, the Company, Zelda Therapeutics Limited, (formerly Gleneagle Gold Limited), completed its acquisition of 100% of Zelda Therapeutics Pty Ltd (Zelda) together with a \$4 million capital raising (Acquisition Transaction). The acquisition of Zelda resulted in the shareholders of Zelda obtaining control of the merged entity. In addition, the board of directors of the merged entity was restructured such that the Company's three directors stepped down and were replaced by Zelda's nominees.

The Acquisition Transaction has resulted in a change in the nature of the Company's activities from a mineral exploration company to a bio-pharmaceutical company focused on developing a range of cannabinoid-based formulations for the treatment of a variety of medical conditions.

In addition, the board of directors of the merged entity was restructured such that the Company's three directors stepped down and were replaced by Zelda's nominees.

The combination of these factors resulted in the Acquisition Transaction being treated as a reverse

acquisition for accounting purposes. Consequently, the Company (the legal parent) has been accounted for as the subsidiary and Zelda (the legal subsidiary) has been accounted for as the parent entity.

Accordingly, the consolidated financial statements of Zelda Therapeutics Limited have been prepared as a continuation of the business and operations of Zelda Therapeutics Pty Ltd. As the deemed acquirer, Zelda has accounted for the acquisition of the Company from 18 November 2016. The comparative information for the period ended 30 June 2016 is that of Zelda from date of incorporation of 19 August 2015 to 30 June 2016.

Except for the above, there have been no changes in other controlled entities during the current year.

11. Details of associates and joint venture entities

The Company does not have any associates or joint venture entities.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer to attached financial statements.

13. Foreign entities disclosures

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

14. Additional information

<u>Loss per Share on continuing operations</u>	30 June 2017	30 June 2016
Basic (loss) earnings per share in cents	(1.24)	(0.24)
Diluted (loss) earnings per share in cents	(1.24)	(0.24)

After Balance Date Events

There has not arisen in the interval between the end of the year and the date of these financial statements any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

15. Compliance Statement

This report should be read in conjunction with the audited Zelda Therapeutics Limited financial report for the year ended 30 June 2017, and is lodged with the ASX under listing rule 4.3A.

Signed in accordance with a resolution of the Board of Directors of Zelda Therapeutics Limited:



Harry Karelis

Executive Director

Dated this 31st day of August 2017

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ZELDA THERAPEUTICS LTD

*ANNUAL REPORT
For the Year Ended
30 June 2017*

CONTENTS

Corporate directory	2
Directors' report	3
Auditor's independence declaration	18
Consolidated statement of comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	21
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	23
Independent auditor's report	46
Directors' declaration	50
Corporate governance statement	51
ASX additional information	59

These financial statements are the consolidated financial statements of the consolidated entity consisting of Zelda Therapeutics Limited (formerly Gleneagle Gold Limited) and its subsidiary. The financial statements are presented in Australian dollars.

Zelda Therapeutics Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of activities on pages 4 – 7.

The financial statements were authorised for issue by the Directors on 31 August 2017. The Directors have the power to amend and reissue the financial statements.

All announcements and financial reports are available on our website: www.zeldatherapeutics.com.

CORPORATE DIRECTORY

EXECUTIVE DIRECTORS

Harry Karelis
Dr Stewart Washer

NON-EXECUTIVE DIRECTORS

Jason Peterson
Mara Gordon

COMPANY SECRETARY

Tim Slate

PRINCIPAL & REGISTERED OFFICE

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PERTH WA 6000

SHARE REGISTRAR

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Level 11, 172 St Georges Terrace
PERTH WA 6000
Ph 08 9323 2000
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SECURITIES EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: ZLD

BANKERS

Westpac Banking Corporation
109 St George Terrace
PERTH WA 6000

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DIRECTORS' REPORT

Your directors present their report on Zelda Therapeutics Limited (**Zelda or the Company**) (formerly Gleneagle Gold Limited) for the financial year ended 30 June 2017.

DIRECTORS

The names of the directors who held office during or since the end of the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated:

Harry Karelis	Executive Chairman – appointed 17 November 2016
Stewart Washer	Executive Director – appointed 17 November 2016
Mara Gordon	Non-Executive Director – appointed 17 November 2016
Jason Peterson	Non-Executive Director – appointed 17 November 2016
Wayne Gregory Loxton	Non-Executive Director – resigned 17 November 2016
Ian David Love	Non-Executive Director – resigned 17 November 2016
Leon Davies	Non-Executive Director – resigned 17 November 2016

Details on the background and qualifications of directors is contained elsewhere in this report.

COMPANY SECRETARY

Mr. Tim Slate was appointed as Company Secretary on 20 October 2016. Mr. Slate has a Bachelor of Commerce from the University of Western Australia, is a Chartered Accountant, is an Associate Member of the Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors. Mr. Slate provides accounting and secretarial advice to private and public companies. Mr Slate has nine years' experience in chartered accounting.

Mr Neville Bassett resigned from the position of Company Secretary on 20 October 2016.

PRINCIPAL ACTIVITIES

Zelda Therapeutics Limited is an Australian-based bio-pharmaceutical company that is focused on developing a range of cannabinoid-based formulations for the treatment of a variety of medical conditions. The Company has a two-pronged strategy comprising:

- A human clinical trial programme focused on insomnia, autism and eczema; and
- A pre-clinical research programme examining the effect of cannabinoids in breast, brain and pancreatic cancer.

The Company has secured certain rights to medicinal cannabis based formulations and treatment protocols developed over many years by a California-based group (Aunt Zelda's) that has a very high profile within the USA and a growing international profile.

RESULTS

A summary of the operating results for the year ended 30 June 2017 is as follows:

- Operating loss after tax was (\$6,157,415) representing a 2,743% increase on FY2016 (\$224,428).

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DIRECTORS' REPORT

- Net cash outflow from operating activities was (\$1,600,153) representing an 576% increase on FY2016 (\$277,937).

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the two years to 30 June 2017.

		30 June 2017	30 June 2016
EBITDA ¹	\$	(6,089,700)	(221,263)
Net profit/(loss) before tax	\$	(6,157,415)	(224,428)
Net profit/(loss) after tax	\$	(6,157,415)	(224,428)
Share price at start of year	cps	2.5	1.5
Share price at end of year	cps	7.4	2.5
Basic loss per share (cents per share)	cps	(1.24)	(0.24)
Diluted loss per share (cents per share)	cps	(1.24)	(0.24)
Return on Capital	cps	(0.45)	(224,428)

Note 1: EBITDA is a non-IFRS measure which represents earnings before interest, tax, depreciation and amortisation. This is unaudited.

		30 June 2017	30 June 2016
		\$	\$
Net profit/(loss) after tax	\$	(6,157,415)	(224,428)
Interest	\$	67,715	3,165
Depreciation	\$	-	-
EBITDA ¹	\$	(6,089,700)	(221,263)

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS**Business performance**

The field of medicinal cannabis has generated significant interest from researchers and physicians world-wide as it is recognised for its broad medical uses in treating various diseases, providing exciting commercial potential. Globally, there has been a significant shift in perceptions towards the use of medicinal cannabis, followed by an emerging trend of governments moving to legalise and regulate its use for the treatment of numerous disease conditions. Several countries have legalised the use of medical cannabis for a number of years and there has been significant anecdotal patient evidence of its benefits. Zelda has captured this market opportunity with access to exclusive sets of patient data, and is focused on the development of novel cannabinoid-based therapies targeted at specific diseases.

The Company has made significant progress in its first year, establishing a comprehensive pre-clinical and clinical research programme, coupled with strategic alliances with internationally recognised researchers, research organisations, suppliers and distributors. The pre-clinical research program focuses on cancer research, in particular breast, brain and pancreatic cancer. Some highlights from the progress made in this area include:

- Establishing a Medical Advisory Board with globally recognised leaders in their field;

DIRECTORS' REPORT

- Commencing a research collaboration with the prestigious Complutense University Madrid conducting a series of studies examining the effects of cannabinoids on a range of human breast cancer models;
- Positive results from a proof of concept study into the anti-cancer effects of its THC-rich medicinal cannabis formulation;
- Expansion of its pre-clinical research program to include paediatric brain cancers through a partnership with the prestigious Telethon Kids Institute and pancreatic cancer with Curtin University;
- Progression of its sleep disorder/insomnia trials with clinical trial protocols being developed and lodged for approval;
- Formation of a strategic alliance with Australian animal health company – CannPal – which is focused on developing cannabinoid-based treatments for the companion animal market;
- Completing a \$6 million capital raising at a significant premium to the initial listing price providing sufficient capital to expand its activities and pursue new opportunities;
- Expansion of its clinical trial programme to include treating the symptoms of autism; and
- Forming a strategic alliance with Knop Laboratories - a long established GMP pharmaceutical manufacturer in Chile.

Zelda has also made significant progress in growing its clinical research programme. The Company has focused on establishing a clinical trial programme for autism, eczema and insomnia in Chile. This is a strategic move capitalising on Chile's legal framework for medicinal cannabis, cost efficiencies for undertaking clinical trials, access to world class researchers and physicians specialising in medical cannabis treatments, access to patient data sets and proximity to sizable markets in neighbouring countries. Zelda has an ongoing strategic partnership with Chilean non-profit patient advocate group Fundación Daya, who have extensive experience over a number of years in using medical cannabis to treat patients for a variety of conditions including autism and eczema. The Company will leverage this data and access to patients to develop robust clinical trials and conduct its research under rigorous and controlled clinical conditions, using medicinal cannabis formulations already known to have an effect.

Several other strategic collaborations have been entered into over the year. Zelda has leveraged its relationships with AusCann Limited (ASX:AC8) through its Chilean joint-venture DayaCann, and formed a strategic alliance with Chilean pharmaceutical manufacturing company Knop Laboratories, to secure production and supply of high quality medical grade cannabis formulations, produced through international GMP standards.

Progress is also being made in Chile and Australia for our insomnia trials, target locations have been identified, discussions underway with Clinical Research Organisations (CROs) and submissions for relevant ethics approvals in progress.

DIRECTORS' REPORT

The business strategy of the Company is to acquire and utilise patient data sets and known medical cannabis formulations that have showed beneficial results on patients, and value-add to this through the development of robust clinical trials, yielding new intellectual property and data that is of value to pharmaceutical companies. In line with its strategy, the Company has secured certain rights to medicinal cannabis based formulations and treatment protocols developed over a number of years by Californian based company Aunt Zelda's. Through the year the Company re-negotiated the terms of this agreement, to provide more flexibility to expand its clinical programme, which also resulted in immediate cash savings and future savings on royalties and sub-license fees.

Zelda has entered into a strategic alliance with Australian animal health company CannPal Pty Ltd (CannPal), which is focused on developing cannabinoid-based treatments for the companion animal market. This alliance provides exciting opportunities for Zelda with exposure to a potentially very large market for alternative animal therapies, and access to a pipeline of new medicines being developed for the animal market, which Zelda will have the first rights to pursue commercialisation within the human market. This alliance, together with the lodgement of provisional patent applications through the year, will assist in the business strategy to generate novel intellectual property, creating more value for the Company.

Reverse acquisition of Zelda Therapeutics Pty Ltd

On 18 November 2016, the Company, Zelda Therapeutics Limited, (formerly Gleneagle Gold Limited), completed its acquisition of 100% of Zelda Therapeutics Operations Pty Ltd (Zelda) together with a \$4 million capital raising (Acquisition Transaction). The acquisition of Zelda resulted in the shareholders of Zelda obtaining control of the merged entity.

The Acquisition Transaction has resulted in a change in the nature of the Company's activities from a mineral exploration company to a bio-pharmaceutical company focused on developing a range of cannabinoid-based formulations for the treatment of a variety of medical conditions.

In addition, the board of directors of the merged entity was restructured such that the Company's three directors stepped down and were replaced by Zelda's nominees.

The combination of these factors resulted in the Acquisition Transaction being treated as a reverse acquisition for accounting purposes. Consequently, the Company (the legal parent) is the accounting subsidiary and Zelda (the legal subsidiary) is the accounting parent entity.

Accordingly, the consolidated financial statements of Zelda Therapeutics Limited have been prepared as a continuation of the business and operations of Zelda Therapeutics Pty Ltd. As the deemed acquirer, Zelda has accounted for the acquisition of the Company from 18 November 2016. The comparative information for the period ended 30 June 2016 is that of Zelda from date of incorporation of 19 August 2015 to 30 June 2016.

Corporate

As outlined above, Zelda entered into a strategic partnership with CannPal Pty Ltd (CannPal) (Agreement), under the terms of the agreement CannPal issued Zelda 7,250,000 options in CannPal (or such other amount equivalent to 10% of the fully diluted issued capital at 27 March 2017) exercisable at the lower of \$0.20 or the next round capital raising price including but not limited to the per share price of any acquisition, reverse takeover transaction or similar event, exercisable within five years from the date of issue.

DIRECTORS' REPORT

On 30 March 2017, the Company announced it had successfully completed a placement of 85,714,286 million fully-paid ordinary shares at a share price of \$0.07, for gross proceeds of \$6.0 million before costs, providing sufficient capital to expand its activities and pursue new opportunities.

The Company disposed of its legacy mining tenement interests in August 2017.

Other than set out above, there were no other significant changes to the nature of the consolidated group's principal activities during the period.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year are detailed under Review of Operations.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years, other than as outlined in the Review of Operations.

FUTURE DEVELOPMENTS

The Company expects to continue to progress a number of clinical trials in a variety of medical conditions as well as continue with its pre-clinical cancer research programme.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year and the number of meetings attended by each director are:

Directors' Meetings

Director	Number Eligible to Attend	Meetings Attended
Harry Karelis	4	4
Stewart Washer	4	4
Mara Gordon	4	3
Jason Peterson	4	4
Wayne Gregory Loxton	-	-
Ian David Love	-	-
Leon Davies	-	-

DIRECTORS' REPORT
INFORMATION ON DIRECTORS**Harry Karelis**

Appointed

17 November 2016

Qualifications

Bachelors and Honours in Science majoring in Biochemistry and Microbiology

Masters in Business Administration from the University of Western Australia.

Fellow of the Financial Services Institute of Australia

Fellow of the Australian Institute of Company Directors

Chartered Financial Analyst (CFA) from the CFA Institute in the United States.

Experience

Mr Harry Karelis is the co-founder of Jindalee Partners, a privately held investment group involved in a range of projects and has in excess of 25 years diversified experience in the financial services sector including fundamental analysis, funds management and private equity investing and has been involved in numerous cross border activities countries.

Interest in Shares

49,587,680

Options

6,000,000 unlisted options exercisable at \$0.03125 on or before 17 November 2021

Stewart Washer

Appointed

17 November 2016

Qualifications

Bachelor of Science (Hon) PhD

Experience

Stewart has 25 years of CEO and Board experience in medical and agrifood biotech companies. He is currently the Chairman of Orthocell Ltd (ASX:OCC), a regenerative medicine company, Founding Chairman and current Director of Cynata Therapeutics Ltd (ASX:CYP) who are developing global stem cell therapies and Chairman of Minomic International Ltd with a novel approach to cancer diagnosis and treatment. He is also a founder and consultant to AusCann Ltd (ASX:AC8), the largest medicinal cannabis company in Australia.

Stewart has previously worked in life science Fund Management with BioScience Managers in Australia and the Nestlé Fund Inventages.

Stewart has held a number of Board positions in the past, including Chairman of Hatchtech Pty Ltd that was sold in 2015 for A\$279m and was a Director of iCeutica that was sold to a US Pharma. He was also a Senator with Murdoch University and was a Director of AusBiotech Ltd.

Interest in Shares

35,198,688

Options

6,000,000 unlisted options exercisable at \$0.03125 on or before 17 November 2021

DIRECTORS' REPORT
Mara Gordon

Appointed
Qualifications

17 November 2016
Bachelor of Arts (Political Science) from the University of North Texas

Experience

Ms Mara Gordon specializes in the development of treatment protocols utilizing Bio Pharmaceutical-grade cannabis extracts for seriously ill patients in California. She co-founded of Aunt Zelda's, Calla Spring Wellness, and Zelda Therapeutics in order to provide real outcomes for patients with serious diseases.

Prior to Aunt Zelda's, Ms Gordon worked as a process engineer, helping Fortune 500 companies create intelligent software by utilizing the Rational Unified Process. This experience has enabled her to take a detailed and scientific approach to utilizing cannabis as a Bio Pharmaceutical grade treatment.

Ms Gordon sits on numerous advisory boards, including NACB, a national SRO, and CannPal. She has presented at multiple CME-accredited medical conferences, including Patients Out of Time 2014, 2016, and 2017, as well as medical cannabis conferences in more than 10 countries. These include CannMed held at Harvard Medical School in 2016 and 2017, CannTech 2016 in Israel. Her work is featured in the upcoming documentaries, "Weed the People", "Mary Janes: Women of Weed", and in Joe Dolce's book, "Brave New Weed".

Interest in Shares

79,642,326

Jason Peterson

Appointed
Qualifications

17 November 2016
Bachelor of Commerce from Curtin University
Graduate Diploma of Finance from FINSIA (Financial Services Institute of Australia)/SDIA (Securities & Derivatives Institute of Australia).

Experience

Mr Jason Peterson is a Director, major shareholder and Head of Corporate of boutique stock broking and corporate advisory firm, CPS Capital and has more than 20 years of experience in the financial advisory sector, which he obtained by working in both local and international stockbroking companies such as Patersons Securities Limited, Tolhurst Group, and Merrill Lynch. He specialises in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies and reverse takeovers.

Interest in Shares
Options

80,292,389
8,000,000 unlisted options exercisable at \$0.03125 on or before 17 November 2021

DIRECTORS' REPORT

Wayne Gregory Loxton Resigned Qualifications Experience	Non-Executive Director 17 November 2016 BSc (Eng) MAusIMM Mr Loxton is an experienced Mining Engineer with a broad range of experience including formulating strategy, completing feasibility studies, commercialization and entrepreneurial start-ups, commercial and strategic due diligence, capital raisings, mergers and acquisitions, asset divestiture and introduction of best practices.
Ian David Love Resigned Experience	Non-Executive Director 17 November 2016 Mr Love is a Perth based businessman who has served on the boards of numerous public companies. He has interests in hospitality, mining and financial sectors.
Leon Davies Resigned Experience	Non-Executive Director 17 November 2016 Mr Davies is a mechanical engineering graduate from Derby University in England, with a wealth of business expertise across a number of industries. Mr Davies established one of the UK's premier specialised recruitment agencies before selling the business after a decade of significant growth and emigrating to WA where he has continued to forge new business opportunities.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Harry Karelis	AusCann Group Holdings Ltd	19 January 2017 to present
	Velpic Ltd	17 October 2017 to present
	VTX Holdings Ltd	14 August 2014 to 19 February 2016
Stewart Washer	BioTech Capital Ltd	18 May 2000 to 4 August 2014
	Cynata Therapeutics Ltd Orthocell Ltd	1 August 2013 to present 7 April 2014 to present
Mara Gordon	Ms Gordon does not hold any Directorships in other listed companies.	N/A
Jason Peterson	Mr Peterson does not hold any Directorships in other listed companies.	N/A
Wayne Gregory Loxton	Yowie Group Ltd	19 March 2013 to present
Ian David Love	Mr Love does not hold any Directorships in other listed companies.	N/A
Leon Davies	Mr Davies does not hold any Directorships in other listed companies.	N/A

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for the key management personnel of the Company for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Key Management Personnel

Directors

Harry Karelis (appointed 17 November 2016)
 Dr Stewart Washer (appointed 17 November 2016)
 Mara Gordon (appointed 17 November 2016)
 Jason Peterson (appointed 17 November 2016)
 Wayne Gregory Loxton (resigned 17 November 2016)
 Ian David Love (resigned 17 November 2016)
 Leon Davies (resigned 17 November 2016)

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration committee

While the Company does not currently have a formal Remuneration Committee, the Board has adopted a Remuneration Committee Charter, which determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Service Agreements

Executive Directors Remuneration

Executive Name	Remuneration
Mr Harry Karelis	<ul style="list-style-type: none"> • Executive salary of \$300,000 per annum; and • Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies
Dr Stewart Washer	<ul style="list-style-type: none"> • Executive salary of \$300,000 per annum; and • Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies

DIRECTORS' REPORT

Executive Directors Mr Harry Karelis and Dr Stewart Washer services may be terminated by giving written notice to either party at any time.

Non-executive Director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be as determined from time to time by a general meeting. The latest determination was at the meeting held on 27 November 2008 when shareholders approved an aggregate remuneration of \$300,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable.

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

During the previous financial period, the Board of Directors completed a review of compensation and benefit structures.

Long-term incentives can be provided as ordinary shares and options over ordinary shares of the Company. As determined, shareholders in general meeting will be asked to approve specific grants of shares and options to Non- Executive and Executive Directors as a form of remuneration.

Assessing performance

The remuneration committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid.

Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business, current remuneration policies are not directly linked to company performance.

The table below shows the performance of the Group as measured by loss per share:

	30 June 2017	30 June 2016
EBITDA ¹	\$ (6,089,700)	(221,263)
Net profit/(loss) before tax	\$ (6,157,415)	(224,428)
Net profit/(loss) after tax	\$ (6,157,415)	(224,428)
Share price at start of year	cps 2.5	1.5
Share price at end of year	cps 7.4	2.5
Basic loss per share (cents per share)	cps (1.24)	(0.24)
Diluted loss per share (cents per share)	cps (1.24)	(0.24)
Return on Capital	cps (0.45)	(224,428)

DIRECTORS' REPORT

Note 1: EBITDA is a non IFRS measure which represents earnings before interest, tax, depreciation and amortisation.

	30 June 2017	30 June 2016
	\$	\$
Net profit/(loss) after tax	\$ (6,157,415)	(224,428)
Interest	\$ 67,715	3,165
Depreciation	\$ -	-
EBITDA ¹	\$ (6,089,700)	(221,263)

Details of the nature and amount of emoluments of key management personnel

2017 Financial Year

Key Management Person	PRIMARY		POST EMPLOYMENT	SHARE BASED PAYMENTS	REMUNERATION	PROPORTION OF REMUNERATION PERFORMANCE RELATED
	Salary & Fees	Non Monetary	Superannuation Contribution	OPTIONS	Total	%
	\$	\$	\$	Total	Total	
	\$	\$	\$	\$	\$	
Harry Karelis	175,000	-	-	63,624	238,624	26.66
Stewart Washer	175,000	-	-	63,624	238,624	26.66
Mara Gordon	21,000	-	-	-	21,000	-
Jason Peterson	21,000	-	-	84,832	105,832	80.16
Wayne Gregory Loxton	20,000	-	-	53,020	73,020	72.61
Ian David Love	18,265	-	1,735	53,020	73,020	72.61
Leon Davies	20,000	-	-	-	20,000	-
Totals	450,265	-	1,735	318,120	770,120	41.31

2016 Financial Year

Key Management Person	PRIMARY		POST EMPLOYMENT	SHARE BASED PAYMENTS	REMUNERATION	PROPORTION OF REMUNERATION PERFORMANCE RELATED
	Salary & Fees	Non Monetary	Superannuation Contribution	OPTIONS	Total	%
	\$	\$	\$	Total	Total	
	\$	\$	\$	\$	\$	
Wayne Gregory Loxton	60,000	-	-	-	60,000	-
Ian David Love	54,794	-	5,206	-	60,000	-
Leon Davies	60,000	-	-	-	60,000	-
Totals	174,794	-	5,206	-	180,000	-

Performance Based Remuneration

A total of 30,000,000 options were granted as equity compensation benefits to Key Management Personnel during the year ended 30 June 2017 as set out below.

DIRECTORS' REPORT

Compensation Options Issued to Key Management Personnel

A total of 30,000,000 options were granted as equity compensation benefits to Key Management Personnel during the year ended 30 June 2017.

Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date
18 November 16	17 November 2021	\$0.03125	\$0.0106	Held in escrow for 24 months from reinstatement to official quotation.

The fair value of the equity-settled options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which they were granted.

Expected volatility (%)	80
Risk-free interest rate (%)	2
Expected life of option (years)	5
Exercise price (cents)	3.125
Grant date share price (cents)	2.5

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Shares Issued to Key Management Personnel on Exercise of Options

No key management personnel exercised options during the years ended 30 June 2017 or 30 June 2016.

Shareholdings of Key Management Personnel

Number of shares held by Directors and Executives during the year as follows:-

2017 Financial Year

	Balance 01/07/2016	Options Exercised	Acquired/ (disposed)	At Appointment/ (Resignation)	Net Change Other	Balance 30/06/2017
Harry Karelis	-	-	-	49,587,680	-	49,587,680
Stewart Washer	-	-	-	35,198,688	-	35,198,688
Mara Gordon	-	-	-	79,642,326	-	79,642,326
Jason Peterson	-	-	-	80,292,389	-	80,292,389
Wayne Loxton	63,040,480	-	-	(63,040,480)	-	-
Ian Love	8,843,961	-	-	(8,843,961)	-	-
Leon Davies	20,857,456	-	-	(20,857,456)	-	-

DIRECTORS' REPORT**2016 Financial Year**

	Balance 01/07/2015	Options Exercised	Acquired/ (disposed)	Net Change Other	Balance 30/06/2016
Wayne Loxton	63,040,480	-	-	-	63,040,480
Ian Love	8,843,961	-	-	-	8,843,961
Leon Davies	20,857,456	-	-	-	20,857,456

Option Holdings of Key Management Personnel**2017 Financial Year**

	Balance 01/07/2016	Options Granted as Remuneration	Options Acquired	At Appointment/ (Resignation)	Balance 30/06/2017	Number vested and exercisable
Harry Karelis	-	6,000,000	-	-	-	6,000,000
Stewart Washer	-	6,000,000	-	-	-	6,000,000
Mara Gordon	-	-	-	-	-	-
Jason Peterson	-	8,000,000	-	-	-	8,000,000
Wayne Loxton	-	5,000,000	-	(5,000,000)	-	-
Ian Love	-	5,000,000	-	(5,000,000)	-	-
Leon Davies	-	-	-	-	-	-

2016 Financial Year

	Balance 01/07/2015	Options Granted as Remuneration	Options Acquired	Net Change Other #	Balance 30/06/2016	Number vested and exercisable
Wayne Loxton	36,688,464	-	-	(36,688,464) ¹	-	-
Ian Love	19,843,961	-	-	(19,843,961) ¹	-	-
Leon Davies	28,127,456	-	-	(28,127,456) ¹	-	-

¹ Options expired during the year

Other transactions and balances with Key Management Personnel

There were no other transactions or balances with Key Management Personnel.

Voting of shareholders at last year's annual general meeting

Zelda Therapeutics Limited received 99.7% of "yes" votes on its remuneration report for the 2016 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices

This concludes the Remuneration Report.

ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration and mining activities and ensures that it complies with all applicable state and federal regulations when carrying out any exploration and mining operations.

DIRECTORS' REPORT

INDEMNIFYING OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

SHARE OPTIONS

Set out below are the summaries of options granted as share based payments and expired during the previous period:

The following share-based payment arrangements were entered into during the year:

Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date
40,000,000	18 November 16	17 November 2021	\$0.03125	\$0.0106	Held in escrow for 24 months from reinstatement to official quotation.
2,000,000	6 February 17	6 February 2020	\$0.04	\$0.0147	6 February 2017
6,000,000	6 February 17	6 February 2020	\$0.04	\$0.0147	6 February 2019

No options over ordinary shares in the Company expired during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 18 of the Annual Report.

NON AUDIT SERVICES

The Company paid amounts as detailed in note 15 during the year ended 30 June 2017 for the provision of taxation compliance services and for preparation of an investigating accountant's report. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

On behalf of the Board



H Karelis
Director

Perth, 31 August 2017

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Zeldia Therapeutics Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



**Perth, Western Australia
31 August 2017**

**M R Ohm
Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2017 \$	August 2015 to 30 June 2016 \$
Other income		100,042	250,000
Interest income	2(a)	67,715	3,165
Compliance and regulatory expenses		(63,279)	(17,946)
Consultants and professional fees		(379,251)	(32,346)
Administration		(131,603)	(125,133)
Directors' fees		(345,250)	(215,000)
Travel and accommodation expense		(111,584)	-
Share based payments		(870,963)	-
Research Consultancy Fees		(668,408)	(11,774)
Transaction related costs	21	(3,718,249)	(75,394)
Other expenses		(35,882)	-
Foreign exchange gain (loss)		(703)	-
		<u>(6,157,415)</u>	<u>(224,428)</u>
(Loss) from continuing operations before income tax expense		(6,157,415)	(224,428)
Income tax expense	3	-	-
		<u>(6,157,415)</u>	<u>(224,428)</u>
(Loss) for the year		<u>(6,157,415)</u>	<u>(224,428)</u>
Other Comprehensive Income		-	-
Total Comprehensive (Loss) for the Year		<u><u>(6,157,415)</u></u>	<u><u>(224,428)</u></u>
(Loss) per share:			
Basic and diluted (loss) per share (cents per share)	13	(1.24)	(0.24)

The accompanying notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	5	7,867,854	722,064
Trade and other receivables	6	99,302	98,267
TOTAL CURRENT ASSETS		<u>7,967,156</u>	<u>820,331</u>
TOTAL ASSETS		<u>7,967,156</u>	<u>820,331</u>
CURRENT LIABILITIES			
Trade and other payables	8	70,625	44,758
Borrowings	9	-	1,000,000
TOTAL CURRENT LIABILITIES		<u>70,625</u>	<u>1,044,758</u>
TOTAL LIABILITIES		<u>70,625</u>	<u>1,044,758</u>
NET ASSETS / (LIABILITIES)		<u>7,896,531</u>	<u>(224,427)</u>
EQUITY			
Issued capital	10	13,803,411	1
Share based payments reserve		474,963	-
Accumulated losses		(6,381,843)	(224,428)
TOTAL EQUITY		<u>7,896,531</u>	<u>(224,427)</u>

The accompanying notes form part of these consolidated financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance as at 19 August 2015	-	-	-	-
Loss for the year	-	(224,428)	-	(224,428)
Total comprehensive loss for the year	-	(224,428)	-	(224,428)
Issue of shares	1			1
Balance at 30 June 2016	1	(224,428)	-	(224,427)
Balance as at 1 July 2016	1	(224,428)	-	(224,427)
Loss for the year	-	(6,157,415)	-	(6,157,415)
Total comprehensive loss for the year	-	(6,157,415)	-	(6,157,415)
Shares issued as part of reverse acquisition – at fair value of the Company	3,015,692	-	-	3,015,692
Shares issued under Prospectus	4,000,000	-	-	4,000,000
Shares issued to convertible noteholders	1,050,000	-	-	1,050,000
Shares issued to consultants	400,000	-	-	400,000
Options issued to parties related to the acquisition	-	-	428,162	428,162
Shares issued to sophisticated investors	6,000,000	-	-	6,000,000
Options issued to consultants	-	-	46,801	46,801
Transaction costs relating to issue of shares	(662,282)	-	-	(662,282)
Balance at 30 June 2017	13,803,411	(6,381,843)	474,963	7,896,531

The accompanying notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2017 \$	2016 \$
Cash Flows from Operating Activities			
Option fee income received		-	250,000
Payments to suppliers		(1,636,157)	(519,328)
Interest received		36,004	3,165
Interest paid		-	(11,774)
<i>Net cash used in operating activities</i>	14(b)	<u>(1,600,153)</u>	<u>(277,937)</u>
Cash Flows from Investing Activities			
Payment for research and development		(600,913)	-
Research and development grant		100,042	-
Payments for exploration and evaluation expenditure		(7,085)	-
Cash acquired upon reverse acquisition		34,083	-
Payments for borrowings made to related companies		31,790	-
<i>Net cash used in investing activities</i>		<u>(442,083)</u>	<u>-</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares		10,000,000	1
Issue costs associated with issue of shares		(604,904)	-
Proceeds from issue of options		4,000	-
Repayments of borrowings		(211,070)	-
Proceeds received in relation to convertible note issue		-	1,050,000
Issue costs associated with convertible notes		-	(50,000)
<i>Net cash from financing activities</i>		<u>9,188,026</u>	<u>1,000,001</u>
Net increase in cash and cash equivalents		7,145,790	722,064
Cash and cash equivalents at beginning of financial year		722,064	-
Cash and cash equivalents at end of financial year	14(a)	<u>7,867,854</u>	<u>722,064</u>

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES**(a) Statement of significant accounting policies**

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the consolidated entity of Zelda Therapeutics Limited (“the legal Parent”) and its subsidiary (“the Group”). Zelda Therapeutics Limited (ZLD) is a listed public company, incorporated and domiciled in Australia.

Reporting basis and conventions

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This financial report was authorised for issue by the Board on 31 August 2017.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Reverse Acquisition

On 18 November 2016 Zelda Therapeutics Limited (formerly Gleneagle Gold Limited) completed the acquisition of Zelda Therapeutics Operations Pty Ltd (Zelda). For accounting purposes, the acquisition of Zelda by the Company has the features of a reverse acquisition under Australian Accounting Standard AASB 3 “Business Combinations” notwithstanding that the Company is the legal parent of the Group. At acquisition date, the net assets of Zelda are recorded at their book value and the Company are recorded at fair value. The acquisition has been accounted for as a share based payment by which Zelda acquires the net assets and listing status of Zelda Therapeutics Limited.

Accordingly, the consolidated financial statements of Zelda Therapeutics Limited have been prepared as a continuation of the business and operations of Zelda. As the deemed acquirer, Zelda has accounted for the acquisition of Zelda Therapeutics Limited from 18 November 2016. The comparative information for the period ended 30 June 2016 is that of Zelda from date of incorporation of 19 August 2015 to 30 June 2016.

The implications of the acquisition by Zelda on the financial statements are as follows:

a) Statement of Profit or Loss and Other Comprehensive Income

- The statement of profit or loss and other comprehensive income comprises the total comprehensive income for Zelda for the period ended 30 June 2017 and Zelda Therapeutics Limited over the period since acquisition to 30 June 2017.
- The statement of profit or loss and other comprehensive income comparatives comprises the period from incorporation of 19 August 2015 to 30 June 2016 for Zelda.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

b) Statement of Financial Position

- The statement of financial position as at 30 June 2017 represents the combined Zelda Therapeutics Group.
- The statement of financial position comparative represents Zelda only as at 30 June 2016.

c) Statement of Changes in Equity

- The statement of changes in equity comprises:
 - The equity balances of Zelda as at the beginning of the financial year (1 July 2016).
 - The total comprehensive income for the financial year and transactions with equity holders, being 12 months for Zelda for the year ended 30 June 2017 and the period from 18 November 2016 until 30 June 2017 for the combined Zelda Therapeutics Group.
 - The equity balances of the combined Zelda and Zelda Therapeutics Limited at the end of the financial year (30 June 2017).
 - The statement of changes in equity comprises the financial year for Zelda ended 30 June 2016.

d) Statement of Cash Flows

- The statement of cash flows comprises:
 - The cash balance of Zelda at the beginning of the financial period (1 July 2016).
 - The transactions for the financial year from Zelda for the year ended 30 June 2017 and the period from 18 November 2016 until 30 June 2017 for Zelda Therapeutics Limited.
 - The cash balance of the combined Zelda and Zelda Therapeutics Limited the end of the year (30 June 2017).
 - The statement of cash flows comparatives comprises the financial half year of Zelda for the period from incorporation of 19 August 2015 to 30 June 2016 for Zelda.

e) Equity Structure

The number of shares on issue is based upon that of the legal parent, Zelda Therapeutics Limited. The value of equity instruments reflects that of Zelda to the point of the acquisition of Zelda Therapeutics and that of Zelda Therapeutics Limited from acquisition date.

f) Earnings Per Share

The weighted average number of shares outstanding for the financial year ended 30 June 2017 is based on the weighted average number of shares of Zelda Therapeutics Limited outstanding in the period following the acquisition. The comparative weighted average number of shares are based on the weighted average shares outstanding on Zelda multiplied by the exchange ratio in the acquisition agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(c) 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 in 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has the 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 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 shareholder 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 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 controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(d) Adoption of new and revised standards**Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2017, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations in issue not yet adopted for the year ended 30 June 2017. As a result of this review the directors have determined that there is no impact, material or otherwise, of the Standards and Interpretations on issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(e) Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(g) Foreign Exchange

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 balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**(h) Income Tax**

The charge for current income tax expenses is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

(i) Other Taxes

Revenues, expenses and assets 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, which 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 are classified as operating cash flows.

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

(j) Impairment of Assets

At each reporting date, the Company reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**(k) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(m) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Zelda Therapeutics Ltd.

(p) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the Company has passed control of the goods or other assets to the buyer.

Interest income is recognised on an accrual basis.

(q) Earnings per share*Basic earnings (loss) per share*

Basic earnings per share ("EPS") is calculated as net profit or loss, attributable to members, adjusted to exclude any costs of servicing equity.

Diluted earnings (loss) per share

Diluted EPS earnings is calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average price.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations, not net profit or loss and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

(r) Share-based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model or the binomial option pricing model.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Zelda Therapeutics Limited (market conditions), if applicable.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an 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. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(s) Fair Value Estimates

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(t) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. 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.

(u) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates:Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on the fair value less cost of disposal. The company reviews intangible assets for impairment once a year or more frequently if events or changes in circumstances indicate that there is impairment. An impairment loss is recognised if the recoverable amount of the cash-generating unit to which goodwill has been allocated is lower than the carrying value of the cash generating unit.

Share based payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Reverse Acquisition

The value of the share based payment in the reverse acquisition is based on the notional amount of shares that Zelda Therapeutics Ltd would need to issue to acquire the majority interest of Zelda Therapeutics Limited's shares that the shareholders did not own after the acquisition, multiplied by the fair value of Zelda Therapeutics Ltd shares. The deemed fair value of Zelda Therapeutics Ltd's shares is the exchange ratio applied to the share price of the listed entity (Zelda Therapeutics Limited) at acquisition date.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
2. REVENUE AND EXPENSES		
(a) Revenue		
Interest revenue	67,715	3,165
(b) Expenses		
Employee benefits expense:		
- Directors' fees	452,000	215,000
3. INCOME TAX EXPENSE		
(a) The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax expense in the financial statements as follows:		
Loss before tax from continuing operations	(6,157,415)	(224,428)
Income tax (benefit)/expense calculated at 27.5% (2016: 28.5%)	(1,693,289)	(63,962)
Unused tax losses and tax offset not recognised as deferred tax assets		
Share based payments	239,515	-
Other non-deductible expenses	183,812	-
Other non-deductible expenses related to the reverse acquisition	1,022,518	
Other deferred tax assets and tax liabilities not recognised	247,444	63,962
Income tax (benefit)/expense reported in the statement of comprehensive income	-	-
The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
(b) Unrecognised deferred tax balances		
The following deferred tax assets and (liabilities) have not been brought to account:		
Deferred tax assets comprise:		
Temporary differences	401,767	12,308
Deferred tax liabilities comprise:		
Temporary differences	(8,720)	(27,023)
Net deferred tax assets	(393,047)	(14,715)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**3. INCOME TAX EXPENSE (continued)**

A deferred tax asset has not been recognised in the financial statements because it is not probable that future taxable profit will be available against which the Company can utilise the benefits thereof.

The future benefits of these tax assets will only be obtained if:

- The Company derives future assessable income of a nature and at an amount sufficient to enable the benefit from the assets to be realised;
- The Company continues to comply with the conditions for deductibility imposed by relevant tax legislation; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the assets.

(c) Income tax expense not recognised directly in equity during the year

	2017	2016
	\$	\$
Share issue costs	612,282	-

4. KEY MANAGEMENT PERSONNEL

The Key Management Personnel of Zelda Therapeutics Limited during the year were:

Harry Karelis (appointed 17 November 2016)
 Stewart Washer (appointed 17 November 2016)
 Jason Peterson (appointed 17 November 2016)
 Mara Gordon (appointed 17 November 2016)
 Wayne Gregory Loxton (resigned 17 November 2016)
 Ian David Love (resigned 17 November 2016)
 Leon Davies (resigned 17 November 2016)

Key management personnel compensation

	2017	2016
	\$	\$
Short-term employment benefits	450,265	174,794
Post-employment benefits	1,735	5,206
Share based payments	318,120	-
	770,120	180,000

Gemelli Nominees Pty Ltd, a company of which Mr Harry Karelis is a Director, charged the Group director fees of \$175,000 (2016: \$Nil). \$Nil (2016: \$Nil) was outstanding at year end. Additionally, Gemelli Nominees Pty Ltd provided re-compliance listing and associated services to the Group during the period on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the agreement was \$150,000 (30 June 2016: \$nil), nil of which was outstanding at 30 June 2017 (30 June 2016: \$nil).

Biologica Ventures Pty Ltd, a company of which Dr Stewart Washer is a Director, charged the Group director fees of \$175,000 (2016: \$Nil). \$Nil (2016: \$Nil) was outstanding at year end. Additionally, Biologica Ventures Pty Ltd provided research services to the Group during the period on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

agreement was \$90,000 (30 June 2016: \$nil), \$10,000 of which was outstanding at 30 June 2017 (30 June 2016: \$nil).

Celtic Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, charged the Group director fees of \$21,000 (2016: \$Nil). \$Nil (2016: \$Nil) was outstanding at year end.

CPS Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, provided corporate advisory and re-compliance services to the Group during the period on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the agreement was \$270,000 (30 June 2016: \$nil), \$Nil of which was outstanding at 30 June 2017 (30 June 2016: \$nil). Additionally, CPS Capital Pty Ltd received 16,000,000 advisory options as part of the reverse acquisition transaction, this issue was approved at the general meeting of shareholders held 25 July 2016.

	2017 \$	2016 \$
5. CASH AND CASH EQUIVALENTS		
Cash at bank	<u>7,867,854</u>	<u>722,064</u>

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

	2017 \$	2016 \$
6. TRADE AND OTHER RECEIVABLES		
Current		
Trade and other receivables	-	59,307
GST receivable	63,417	38,960
Accrued interest	31,710	-
Other current assets	<u>4,175</u>	<u>-</u>
	<u>99,302</u>	<u>98,267</u>

7. OTHER FINANCIAL ASSETS

On 27 March 2017, Zelda entered into a strategic partnership with CannPal Pty Ltd (CannPal) (Agreement), an Australian company focused on developing cannabis based prescription and non-prescription medicines, and animal feed nutrition for the emerging global pet pharmaceutical market. The Agreement is to promote and encourage collaborative activity to improve the offerings of both CannPal and Zelda and exploit opportunities of mutual interest in both the human and animal pharmaceutical markets.

Under the terms of the agreement CannPal issued Zelda 7,250,000 options in CannPal (or such other amount equivalent to 10% of the fully diluted issued capital at 27 March 2017) exercisable at the lower of \$0.20 or the next round capital raising price including but not limited to the per share price of any acquisition, reverse takeover transaction or similar event, exercisable within five years from the date of issue. As the options are held over shares in an unlisted entity and there was no direct cost to the Company, the options are recorded at nil carrying value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

8. TRADE AND OTHER PAYABLES	2017	2016
	\$	\$
Current (unsecured)		
Trade payables and accruals	70,625	44,758
	<u>70,625</u>	<u>44,758</u>

Terms and conditions relating to the above financial instruments:

- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

9. BORROWINGS	2017	2016
	\$	\$
Current (unsecured)		
Convertible notes (i)	-	1,000,000
	<u>-</u>	<u>1,000,000</u>

(i) This represents funds transferred into Zelda on the basis that Zelda will be issuing convertible notes. The material terms of the convertible notes issued under the binding terms sheet between the company and its subscribers are as follows:

- a) The convertible notes will be secured.
- b) The convertible notes will not be quoted on the ASX or any other financial market.
- c) The company reserves the right to accept subscriptions for convertible notes in addition to the amount of \$3,000,000 in its absolute discretion and to scale back any applications for convertible notes in its absolute discretion and will refund any application monies in respect of any convertible notes subscribed for but not allocated to the subscriber.
- d) The issuance of the convertible notes are subject to and conditional upon the Company obtaining firm commitments from parties on terms substantially and materially the same as those set out in the term sheet for a minimum \$1,000,000.
- e) No interest shall be payable on the Principal Amount.

The convertible notes were converted into ordinary shares as part of the reverse acquisition transaction.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

			2017	2016
			\$	\$
10. ISSUED CAPITAL			<u>13,803,411</u>	<u>1</u>
	Year to 30 June 2017 No.	Year to 30 June 2016 No.	Year to 30 June 2017 \$	Year to 30 June 2016 \$
<i>Movements in ordinary shares on issue</i>				
At start of period	100,449,102	-	1	-
Issue of shares for cash	-	-	-	1
Issue of shares to MJ Life Science Pty Ltd shareholders and Founding Director	-	100,449,102	-	-
Zelda Therapeutics Limited shares on issue at acquisition date	120,627,649	-	16,307,505	-
Elimination of historical value of Zelda Therapeutics Limited	-	-	(16,307,505)	-
Elimination of historical shares of Zelda (100,449,102) Therapeutics Operations Pty Ltd		-	-	-
Shares issued to vendors	320,000,000	-	3,015,692	-
Shares issued under Prospectus	160,000,000	-	4,000,000	-
Shares issued to convertible noteholders	52,500,000	-	1,050,000	-
Shares issued to consultants	16,000,000	-	400,000	-
Shares issued to Sophisticated investors	85,714,285		6,000,000	
Share issue expenses	-	-	(662,282)	-
At end of period	<u>754,841,934</u>	<u>100,449,102</u>	<u>13,803,411</u>	<u>1</u>

At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**11. SHARE BASED PAYMENTS****(a) Summary of share-based payments****Unlisted Options (as at Balance date)**

Set out below are the summaries of options granted as share based payments and expired during the previous period:

The following share-based payment arrangements were entered into during the year:

Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date	Vesting date
40,000,000	18 November 16	17 November 2021	\$0.03125	\$0.0106	Held in escrow for 24 months from reinstatement to official quotation.
2,000,000	6 February 17	6 February 2020	\$0.04	\$0.0147	6 February 2017
6,000,000	6 February 17	6 February 2020	\$0.04	\$0.0147	6 February 2019

No options over ordinary shares in the Company expired during the year.

There were no other share-based payment options on issue during the year.

Options were granted as equity compensation benefits to Key Management Personnel during the year are set out in the audited remuneration report.

(b) Weighted average fair value

The fair value of the equity-settled options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which they were granted.

Expected volatility (%)	80	128	128
Risk-free interest rate (%)	2	1.96	1.96
Expected life of option (years)	5	3	3
Exercise price (cents)	3.125	4	4
Grant date share price (cents)	2.5	3	3

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

12. FINANCIAL INSTRUMENTS**(a) Financial risk management objectives**

The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives was governed by the Company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the directors on a continuous basis.

The carrying amounts of financial assets and financial liabilities approximate their fair value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

12. FINANCIAL INSTRUMENTS (continued)

	Variable interest rate	Maturity dates		Non interest bearing	Total
		Less than 1 year	1-2 years		
2017	\$	\$	\$	\$	\$
Financial assets:					
Cash and cash equivalents	467,854	7,400,000	-	-	7,867,854
Trade receivables	-	-	-	99,302	99,302
Financial liabilities:					
Trade payables	-	-	-	70,625	70,625

2016

Financial assets:					
Cash and cash equivalents	722,064	-	-	-	722,064
Trade receivables	-	-	-	98,267	98,267
Financial liabilities:					
Trade payables	-	-	-	44,758	44,758
Borrowings	-	-	-	1,000,000	1,000,000

(b) Interest rate risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's consolidated statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$)	
	Increase/(Decrease)	
	2017	2016
Increase 100 basis points	78,678	7,220
Decrease 100 basis points	(78,678)	(7,220)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. This would represent two to four movements by the Reserve Bank of Australia.

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

12. FINANCIAL INSTRUMENTS (continued)**(d) Liquidity risk management**

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Management monitor the rolling forecasts of the Company's liquidity on the basis of expected cash flow. Forecasted liquidity for the financial year following 30 June 2017 is as follows:

The following table details the expected maturity of the Company's financial assets and liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$
2017				
<i>Financial Assets:</i>				
Non-interest bearing	99,302		-	-
Variable interest rate	467,854		-	-
Fixed interest rate	1,500,000	700,000	5,200,000	-
	<u>2,067,156</u>	<u>700,000</u>	<u>5,200,000</u>	<u>-</u>
<i>Financial Liabilities:</i>				
Non-interest bearing	70,625	-	-	-
	<u>70,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
2016				
<i>Financial Assets:</i>				
Non-interest bearing	98,267	-	-	-
Variable interest rate	722,064	-	-	-
Fixed interest rate	-	-	-	-
	<u>820,331</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Financial Liabilities:</i>				
Non-interest bearing	1,044,758	-	-	-
	<u>1,044,758</u>	<u>-</u>	<u>-</u>	<u>-</u>

(e) Capital Risk Management

The Board does not deem necessary a formal Capital Risk Management Charter. The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13. EARNINGS / (LOSS) PER SHARE	2017	2016
	\$	\$
(a) (Loss) used in the calculation of basic and dilutive loss per share	(6,157,415)	(224,428)
Basic loss per Share	Number of Shares	Number of Shares
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share:	495,340,723	91,874,180
Basic (loss) per share (cents per share)	(1.24)	(0.24)
Diluted loss per Share	Number of Shares	Number of Shares
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share:	495,340,723	91,874,180
Diluted (loss) per share (cents per share)	(1.24)	(0.24)

14. CASH FLOW INFORMATION**(a) Reconciliation of cash and cash equivalents**

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	2017	2016
	\$	\$
Cash at bank	7,867,854	722,064
(b) Reconciliation of net cash flow used in operating activities with profit / (loss) after income tax		
(Loss) for year	(6,157,415)	(224,428)
Non-cash flows in operating (loss)/profit		
- Research and development expenditure	675,912	-
- Share based payments	870,963	-
- Non-cash transaction related costs	3,538,136	-
- Acquired trade and other receivables	12,355	-
- Acquired trade and other payables	(353,866)	-
- Acquired borrowings	(211,070)	-
Changes in assets and liabilities:		
- (Increase)/Decrease in trade and other receivables	(1,035)	(98,267)
- Increase/(Decrease) in trade payables and other accruals	25,867	44,758
Net cash used in operating activities	(1,600,153)	(277,937)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

15. AUDITORS' REMUNERATION**2017****2016**

\$

\$

The auditors of the Company are HLB Mann Judd

Remuneration of the auditor for:

- Auditing or reviewing the financial report	36,000	24,000
- Tax compliance services	3,000	3,250
- Investigating Accountant's Report	24,750	2,000
	<u>63,750</u>	<u>29,250</u>

16. COMMITMENTS**2017****2016**

\$

\$

Research and development

not later than 1 year	158,235	-
later than 1 year but no later than 5 years	185,763	-

Remuneration

not later than 1 year	672,000	120,000
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17. PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts. The information presented has been prepared using accounting policies as disclosed in Note 1.

	2017	2016
	\$	\$
Financial Position		
Current assets	5,662,956	87,518
Total assets	8,147,576	87,518
Current liabilities	871	290,424
Total liabilities	871	290,424
Shareholder's equity		
Issued capital	26,013,542	16,307,505
Reserves	474,963	-
Accumulated losses	(18,113,569)	(16,510,411)
	<u>8,374,936</u>	<u>(202,906)</u>
Financial Performance		
Loss for the year	(1,629,919)	(898,637)
Total comprehensive loss	<u>(1,629,919)</u>	<u>(898,637)</u>

Contingencies of the Parent Entity

There are no contingent liabilities involving the parent entity (2016: Nil).

Guarantees of the Parent Entity

There are no guarantees involving the parent entity (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**Contractual commitments of the Parent Entity**

Included in the commitments in Note 16 are commitments incurred by the Parent Entity as follows:

	2017 \$	2016 \$
Research and development		
not later than 1 year	-	-
later than 1 year but no later than 5 years	-	-
Remuneration and consulting		
not later than 1 year	672,000	120,000

18. INTERESTS IN SUBSIDIARY

Transactions with subsidiary:

The consolidated financial statements include the financial statements of Zelda Therapeutics Ltd and the subsidiary in the following table.

	Country of Incorporation	% Equity Interest	
		2017 \$	2016 \$
Zelda Therapeutics Operations Pty Ltd	Australia	100%	-

19. SEGMENT REPORTING

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

During the year ended 30 June 2017, the Company only operated in one segment, being conducting research with medicinal cannabis.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a group basis.

20. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with director related entities:

Caziwell Inc, a company of which Ms Mara Gordon is a Director, entered into a licence agreement with the Company, including Aunt Zelda's Inc (Caziwell Licence Agreement) pursuant to which Caziwell agreed to licence patient data concerning the medicinal properties of cannabis and cannabis infused products, including formulations and protocols (Existing Data), to Zelda for use in pre-clinical research and human clinical trials and related activities. The material terms of the Caziwell Licence Agreement are set out in Note 22.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**Remuneration related transactions with director related entities:**

Gemelli Nominees Pty Ltd, a company of which Mr Harry Karelis is a Director, charged the Group director fees of \$175,000 (2016: \$Nil). \$Nil (2016: \$Nil) was outstanding at year end. Additionally, Gemelli Nominees Pty Ltd provided re-compliance listing and associated services to the Group during the period on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the agreement was \$150,000 (30 June 2016: \$nil), nil of which was outstanding at 30 June 2017 (30 June 2016: \$nil).

Biologica Ventures Pty Ltd, a company of which Dr Stewart Washer is a Director, charged the Group director fees of \$175,000 (2016: \$Nil). \$Nil (2016: \$Nil) was outstanding at year end. Additionally, Biologica Ventures Pty Ltd provided research services to the Group during the period on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the agreement was \$90,000 (30 June 2016: \$nil), \$10,000 of which was outstanding at 30 June 2017 (30 June 2016: \$nil).

Celtic Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, charged the Group director fees of \$21,000 (2016: \$Nil). \$Nil (2016: \$Nil) was outstanding at year end.

CPS Capital Pty Ltd, a company of which Mr Jason Peterson is a Director, provided corporate advisory and re-compliance services to the Group during the period on normal commercial terms and conditions. The aggregate amount recognised during the year relating to the agreement was \$270,000 (30 June 2016: \$nil), \$Nil of which was outstanding at 30 June 2017 (30 June 2016: \$nil). Additionally, CPS Capital Pty Ltd received 16,000,000 advisory options as part of the reverse acquisition transaction, this issue was approved at the general meeting of shareholders held 25 July 2016.

Details of directors' interests in shares and over options in the Company are disclosed in note the Remuneration Report.

There were no other related party transactions during the year.

21. REVERSE ACQUISITION ACCOUNTING

On 18 November 2016, Zelda Therapeutics Limited (formerly Gleneagle Gold Limited) completed the acquisition of Zelda Therapeutics Operations Pty Ltd (Zelda). Under Australian Accounting Standards Zelda was deemed to be the accounting acquirer in this transaction.

The acquisition has been accounted for as a share based payment by which Zelda acquires the net assets and listing status of Zelda Therapeutics Limited. At acquisition date, the net assets of Zelda Therapeutics Ltd are recorded at their book value and the company are recorded at fair value. The acquisition has been accounted for as a share based payment by which Zelda acquires the net assets and listing status of Zelda Therapeutics Limited.

(a) Deemed Consideration

The purchase consideration was the issue of 320,000,000 shares in Zelda Therapeutics Limited (legal parent) to the shareholders of Zelda.

(b) Other equity issues

Zelda Therapeutics Limited also issued a total of 16,000,000 Shares and 23,000,000 options to acquire shares at a price equal to the issue price under the Capital Raising on or before the date that is 5 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

after the date of the issue (Options) in consideration for professional services provided to Zelda Therapeutics Ltd in connection with the Acquisition. The Shares were deemed to have a value of \$400,000 and Options issued were deemed to have a total value of \$243,893.

Zelda Therapeutics Limited also issued a total of 17,000,000 Options in consideration for past and future services to be provided to Zelda Therapeutics Ltd. The Options issued were deemed to have a total value of \$180,269.

The pre-combination carrying amounts of the assets and liabilities of the company as at acquisition date (being 18 November 2016) were as follows: -

	\$
Cash and cash equivalents	34,083
Trade and other receivables	8,125
Total assets	<u>42,208</u>
Trade and other payables	350,549
Borrowings	211,070
Total liabilities	<u>561,619</u>
Net liabilities	<u>(519,411)</u>

Listing Expense

	\$
Deemed consideration	3,015,692
Add: Net liabilities of Zelda Therapeutics Limited	519,411
Add: Other transaction costs	183,145
Total Zelda Therapeutics Limited listing expense	<u>3,718,249</u>

22. EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matter or circumstance that has arisen after balance date that has 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 periods.

23. CONTINGENT LIABILITIES**Caziwell Licence Agreement**

On 21 March 2017, Zelda entered into a licence agreement with Caziwell Inc (Caziwell), including Aunt Zelda's Inc (Caziwell Licence Agreement) pursuant to which Caziwell agreed to licence patient data concerning the medicinal properties of cannabis and cannabis infused products, including formulations and protocols (Existing Data), to Zelda for use in pre-clinical research and human clinical trials and related activities.

The material terms of the Caziwell Licence Agreement are as follows:

- a. In consideration for payment of a royalty to Caziwell of 5% of net sales by Zelda (commencing on the first day that a product is sold, transferred, rented, leased or distributed by or Zelda) and the payment of a commencement payment of \$300,000 and one-off milestone fee of \$250,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(payable within 7 days of the first dosage by a participant in a Clinical Trial for a Product that is to be used in a Cancer Field and Caziwell acknowledges that such a payment may only be made once.

- b. Zelda may grant sub-licences to the Existing Data and any data generated as a result of the research and clinical trials undertaken by Zelda to third parties for the duration of the Licence. In consideration, Zelda is required to pay Caziwell a royalty of 15% of the licence fees and payments, including milestone fees, made by sub-licensees to Zelda.

Other than disclosed above, as at the 30 June 2017 the Company did not have any contingent liabilities.

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INDEPENDENT AUDITOR'S REPORT

To the members of Zelda Therapeutics Limited

Report on the Audit of the Financial Report*Opinion*

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

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

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

Basis for opinion

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

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

Key audit matters

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

Key Audit Matter**How our audit addressed the key audit matter****Reverse acquisition accounting**

(Refer Note 1(b))

During the year, the Group completed its acquisition of 100% of Zelda Therapeutics

- We evaluated management's assessment that the appropriate accounting treatment for the transaction is as a reverse

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Operations Pty Ltd ('Zelda'). The acquisition resulted in the shareholders of Zelda obtaining control of the combined entity. In addition, the board of directors of the entity was restructured with Zelda nominees.

The combination of these factors resulted in the acquisition transaction being treated as a reverse acquisition for accounting purposes. Consequently, the Company (the legal parent) has been accounted for as the accounting subsidiary and Zelda (the legal subsidiary) has been accounted for as the accounting parent.

We considered this transaction to be a key audit matter because of the degree of complexity involved in reverse acquisitions, the materiality of the matter to the users of the financial statements as a whole and the degree of audit effort directed to this area.

- acquisition under accounting standards;
- We tested the methodology, inputs and mathematical accuracy of the calculations of the Group for the deemed accounting consideration;
- We obtained the signed contractual agreements relating to the reverse acquisition and reviewed significant contract terms relevant to the accounting and disclosure in the financial statements;
- We reviewed the treatment of the reverse acquisition on consolidation and ensured the transaction had been accounted for correctly within the consolidated financial statements of the Group as at 30 June 2017; and
- We performed specific procedures on the opening balance sheet of the accounting subsidiary prepared as at the date of acquisition.

Share-based payment expense

(Refer Note 11)

The Group has recorded a material share-based payment expense of \$870,963 for the year ended 30 June 2017.

We considered this to be a key audit matter as the valuation of share-based payments are subject to complexity and significant judgement and are material to the users understanding of the financial statements as a whole.

Our procedures included but were not limited to:

- We assessed the reasonableness of the assumptions used in the valuation of the share based payments expense as well as testing the accuracy of the calculations themselves.
- We also agreed the terms of the share based payments to agreements to ensure that the valuations were based on the terms of those agreements.

Information other than the financial report and auditor's report thereon

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Zelda Therapeutics Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
31 August 2017



M R Ohm
Partner

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 19 to 45 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the group's financial position as at 30 June 2017 and of its performance for the year ended on that date;
2. note 1 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
4. the directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

This declaration is made in accordance with a resolution of the Board of Directors.



H Karelis
Director

Dated at Perth this 31st day of August 2017.

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 31 August 2017 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3rd Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are available on the Company's website at www.zeldatherapeutics.com

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director (or equivalent) is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the

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Company has adopted, and that its practice is consistent with, a number of guidelines including:

- Code of Conduct;
- Continuous Disclosure Policy;
- Diversity Policy;
- Performance Evaluation Policy;
- Procedures for Selection and Appointment of Directors;
- Remuneration Policy;
- Risk Management and Internal Compliance and Control Policy.
- Securities Trading Policy; and
- Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director responsibility for the management and operation of Zelda Therapeutics. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Zelda Therapeutics within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Zelda Therapeutics website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural

diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- | | |
|--|-----|
| • Women employees in the Company | 0% |
| • Women in senior management positions | 0% |
| • Women on the Board | 25% |

The Company's Diversity Policy is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Given, the size of the Board, the substantial changes to the composition of the Board in December 2016 and the current level of operations of the Company, no formal appraisal of the Board was conducted during the financial year.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter

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connected with the discharge of their responsibilities, with prior notice to the Chairman, at Zelda Therapeutics' expense.

Principle 2: Structure the board to add value

Board Composition

During the financial year and to the date of this report the Board was comprised of the following members:

Mr Harry Karelis	Executive Chairman (appointed 17 November 2016)
Dr Stewart Washer	Executive Chairman (appointed 17 November 2016)
Mr Mara Gordon	Non- Executive Director (appointed 17 November 2016)
Mr Jason Peterson	Non-Executive Director (appointed 17 November 2016)
Mr Wayne Gregory Loxton	Non-Executive Director (resigned 17 November 2016)
Mr Ian David Love	Non-Executive Director (resigned 17 November 2016)
Mr Leon Davies	Non-Executive Director (resigned 17 November 2016)

The Board currently consists of two Executive and two Non-Executive Directors.

Zelda Therapeutics has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

All of the Board members are not considered to be independent as they are executives of the Company.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Zelda Therapeutics. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set matrix on the mix of skills and diversity for Board membership

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;

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- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Zelda Therapeutics' AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Zelda Therapeutics and Zelda Therapeutics' securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Zelda Therapeutics' business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and

internal compliance and control framework. Zelda Therapeutics has established policies for the oversight and management of material business risks.

Zelda Therapeutics' Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Zelda Therapeutics believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Zelda Therapeutics is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Zelda Therapeutics accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Zelda Therapeutics' approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Zelda Therapeutics assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Zelda Therapeutics applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Zelda Therapeutics' material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board reviews the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Zelda Therapeutics' management of its material business risks on at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Zelda Therapeutics has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Zelda Therapeutics operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Zelda Therapeutics' performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Zelda Therapeutics.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Zelda Therapeutics;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Zelda Therapeutics shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

Zelda Therapeutics' executive remuneration policies and structures and details of remuneration paid to directors and senior managers (where appointed) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders. The total fees paid to Non-Executive Directors during the reporting period were \$102,000.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ASX ADDITIONAL INFORMATION

Additional information as required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 25 August 2017.

Distribution of equity security holders (number of holders)

	1 1,000	– 5,000	1,001 – 5,001 10,000	– 10,001 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (ZLD)	98	496	1,830	3,701	624	6,749
Options – 3.125c 17/11/21 Escrowed 24 Months	-	-	-	-	8	8
Options – 4c 06/02/20	-	-	-	-	4	4
Options – 4c 06/02/20	-	-	-	-	4	4

There are 840 holders of shares holding less than a marketable parcel.

Quoted equity securities as at 25 August 2017

Equity Security	Quoted
Ordinary Shares	754,841,934

Voting rights

Ordinary shares carry one vote per share. There are no voting rights attached to the options in the Company.

(d) Unquoted Securities as at 25 August 2017

The number of unquoted securities on issue as at 25 August 2017:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options ¹	40,000,000	3.125c	17/11/2021
Unquoted Options ²	2,000,000	4c	6/02/2020
Unquoted Options ³	6,000,000	4c	6/02/2020

Persons holding more than 20% of a given class of unquoted securities as at 14 August 2017:

- 1) 20% held by Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>
- 2) 25% held by Mr Noah Federman, 25% held by Ms Christina Sanchez Garcia, 25% held by Ms Christina Sanchez Garcia <Pablo Valino Sanchez A/C>, Mr Joe D Goldstrich
- 3) 25% held by Mr Noah Federman, 25% held by Ms Christina Sanchez Garcia, 25% held by Ms Christina Sanchez Garcia <Pablo Valino Sanchez A/C>, Mr Joe D Goldstrich

Restricted equity securities as at 25 August 2017

111,625,156 fully paid ordinary shares escrowed until 17 November 2017;
224,374,844 fully paid ordinary shares subject to voluntary escrow escrowed 24 months from re-quotation;
40,000,000 options expiring 5 years from issue @ \$0.03125 escrowed 24 months from re-quotation

Substantial shareholders as at 25 August 2017

The Company has been notified of the following substantial shareholdings:

Mr Jason Peterson	80,292,388
Ms Mara Gordon	79,642,326
Gemelli Nominees Pty Ltd	49,587,680

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Twenty largest holders of quoted shares

	<u>Name</u>	<u>No. of Shares</u>	<u>%</u>
1.	MARA GORDON	79,642,326	10.55
2.	MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	52,459,017	6.95
3.	GEMELLI NOMINEES PTY LTD <GEMELLI FAMILY A/C>	42,921,013	5.69
4.	MAL WASHER NOMINEES PTY LTD <MAL WASHER FAMILY A/C>	32,398,688	4.29
5.	AMIT GUPTA	28,614,010	3.79
6.	COSSACK HOLDINGS (AUST) PTY LTD	13,000,000	1.72
7.	MR CRAIG LAWRENCE DARBY	12,742,772	1.69
8.	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	12,600,000	1.67
9.	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	11,200,000	1.48
10.	GOLDNEY PTY LTD <BLACKMAN MUTUAL A/C>	9,538,004	1.26
11.	COPPER LAKE HOLDINGS LIMITED	9,538,003	1.26
12.	MR ALAN TROUNSON	9,538,003	1.26
13.	CITICORP NOMINEES PTY LIMITED	8,898,987	1.18
14.	GEMELLI NOMINEES PTY LTD <GEMELLI FAMILY A/C>	6,666,667	0.88
15.	CELTIC CAPITAL PTE LTD	5,800,000	0.77
16.	CAPERANGE INVESTMENTS PTY LTD <SOUTHBANK EQUITY SUPER A/C>	5,768,918	0.76
17.	CAPERANGE INVESTMENTS PTY LTD <SOUTHBANK EQUITY S/F A/C>	5,500,000	0.73
18.	SUNSET CAPITAL MANAGEMENT PTY LTD	5,495,141	0.73
19.	METALLICA INVESTMENTS PTY LTD	5,153,409	0.68
20.	DANNY STEPHENS PTY LTD <DANNY STEPHENS FAMILY A/C>	5,107,601	0.68
	TOTAL	362,582,559	48.03

Stock Exchange

The Company is listed on the Australian Securities Exchange and has been allocated the code "ZLD". The "Home Exchange" is Perth.

Other information

Zelda Therapeutics Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.