



SHAREHOLDER UPDATE – JANUARY 2017

Dear Shareholder

I am delighted to be writing to you after a year in which we achieved a significant number of milestones. As you know, we established Zelda Therapeutics (“Zelda”) specifically to focus on developing medicinal cannabis based therapies for a number of conditions. We have exclusive access to a large body of anecdotal patient data generated in California where medicinal cannabis has been legally available since 1996, giving us a strong advantage over typical start-up drug development companies.

Our Achievements

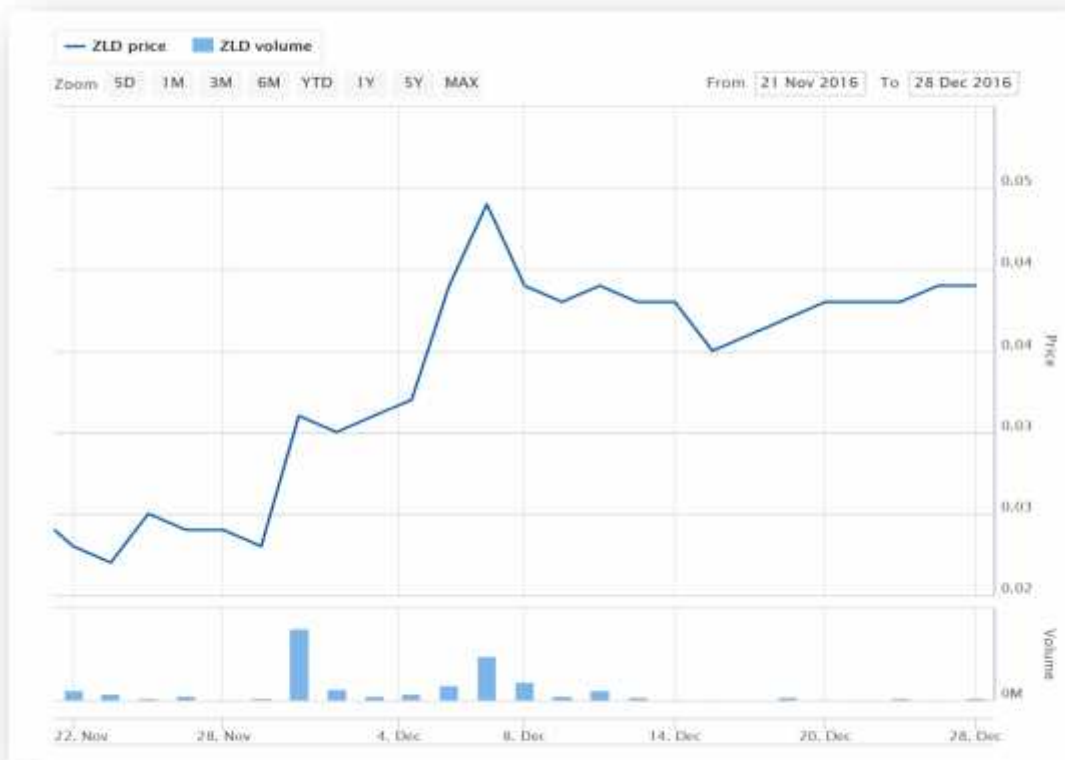
We have achieved much over the past 12 months including:

-) Establishing a Medical Advisory Board with globally recognised leaders in their field
-) Commencing a research collaboration with the prestigious Complutensé University Madrid testing our formulations in a range of breast cancer models
-) Raising \$4 million and listing on the Australian Securities Exchange
-) Expanding our cancer research into brain cancers (Telethon Kids Institute) and pancreatic cancer (Curtin University)
-) Filing multiple international patents
-) Initiating clinical trial activities, initially for insomnia, in multiple sites in multiple countries
-) Expanding business development activities to maintain Zelda at the forefront of the medicinal cannabis field

The Market

The above achievements have resulted in a 60% increase in share price since listing on the ASX on the 22 November 2016. The chart below shows the steady increase in share price and healthy volumes demonstrating the market and investor interest in the sector. With a solid pipeline of news and achievements pending for 2017 we believe investor interest will stay strong.





Source: ASX website

Furthermore, in the same period that these milestones have been achieved, we have witnessed a sharp shift in public sentiment towards the use of medical cannabis with the broader Australian public now highly supportive of its benefits for a range of patients.

What Makes Us Different?

We are implementing a two-pronged strategy to quickly develop Zelda into one of the world’s leading medicinal cannabis biotechnology companies. This approach provides a pathway to revenues in the short term through fast-tracked clinical trials, whilst generating significant value in the background through our cancer research activities.

Firstly, we have identified several indications (medical disease areas) where we can fast-track our formulations into human clinical trials – notably sleep disorders such as insomnia and dermatology indications such as eczema. We expect to be commencing these trials during 2017 and have identified a relatively rapid path to commercialisation. If successful, this could see Zelda obtaining product registrations in selected markets in 2018 with revenues flowing from there. Whilst these are relatively niche markets there is the potential for Zelda to create significant shareholder value over the next 12-18 months.

Secondly, we have focused on certain cancers where there is a growing body of evidence that cannabinoids can improve treatment outcomes and quality for life for patients. We have implemented research partnerships with leaders in the field of breast, brain and pancreatic cancer

using cannabinoids as therapeutic agents, initially in combination with existing chemo and radio-therapy treatment regimes. Furthermore, we are also examining the potential to use cannabinoids to reduce the impact of chemotherapy-induced nausea as well as the potential to reduce the toxicity of certain cancer drugs.

Whilst this programme in cancer research will take some time before moving into clinical trials, it does have the potential to generate significant advances in treatment options for patients. Successful results will see Zelda actively engage with the bio-pharmaceutical industry to progress into human clinical trials, resulting in significant value creation for shareholders.

We have an active intellectual property (IP) strategy in place and are focusing on areas where we can obtain IP protection to create further value for our shareholders.

Importantly, all of our research and clinical programmes are fully funded and benefit from the Australian Government R&D tax rebate programme providing non-dilutive funding for the Company. We expect to be achieving key milestones over the course of 2017 and are pleased to be entering 2017 with sufficient financial runway into 2018.

If you have any queries please feel free to contact me via email on hkarelis@zeldatherapeutics.com

On behalf of the entire Board, I would like to thank you for your ongoing support of Zelda and I look forward to updating you over the course of 2017 as we work towards achieving several important milestones that have the potential to create significant shareholder value.

Yours sincerely

Harry Karelis
Chairman
Zelda Therapeutics Ltd