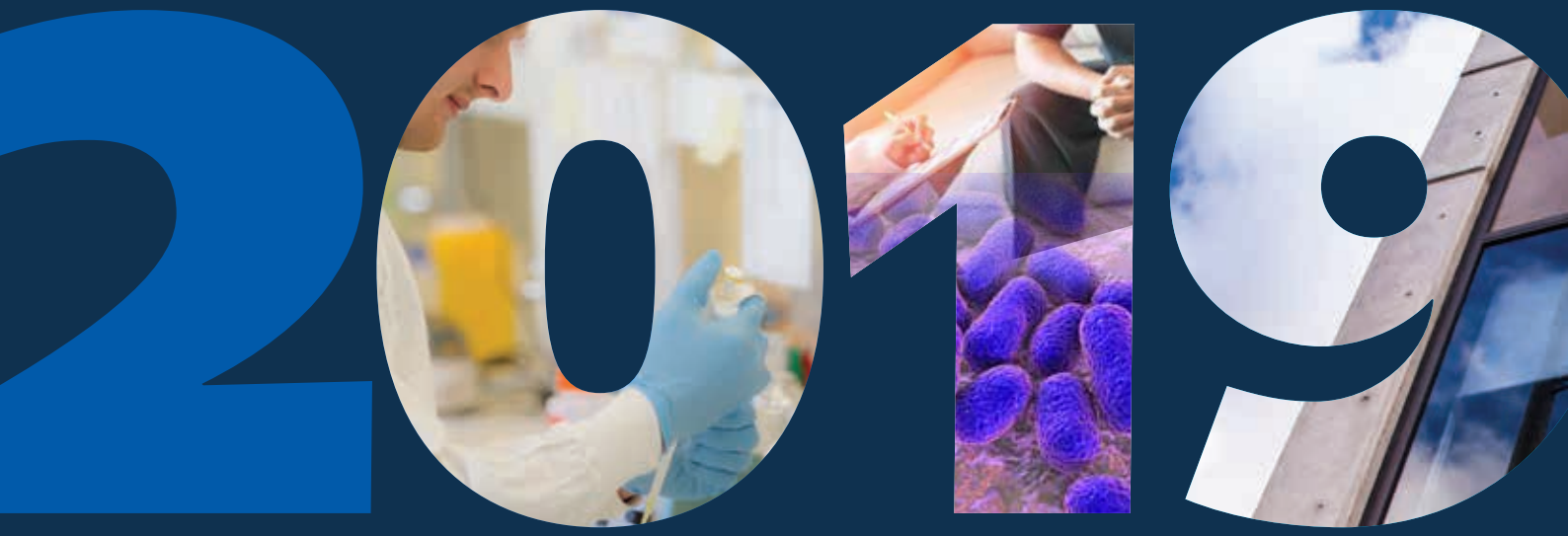
BioDiem

BioDiem Ltd | ABN 20 096 845 993



Annual Report 30 June 2019

DEVELOPING COMMERCIAL OUTCOMES

BioDiem

Who We Are

BioDiem is an Australian biopharmaceutical company that is focused on developing and commercialising vaccines and infectious disease therapies. BioDiem's business model is to generate income from partnerships including with other vaccine and infectious disease treatment companies through existing and new licences to its LAIV vaccine and other technologies. Income comes from licence fees and royalties on sales.

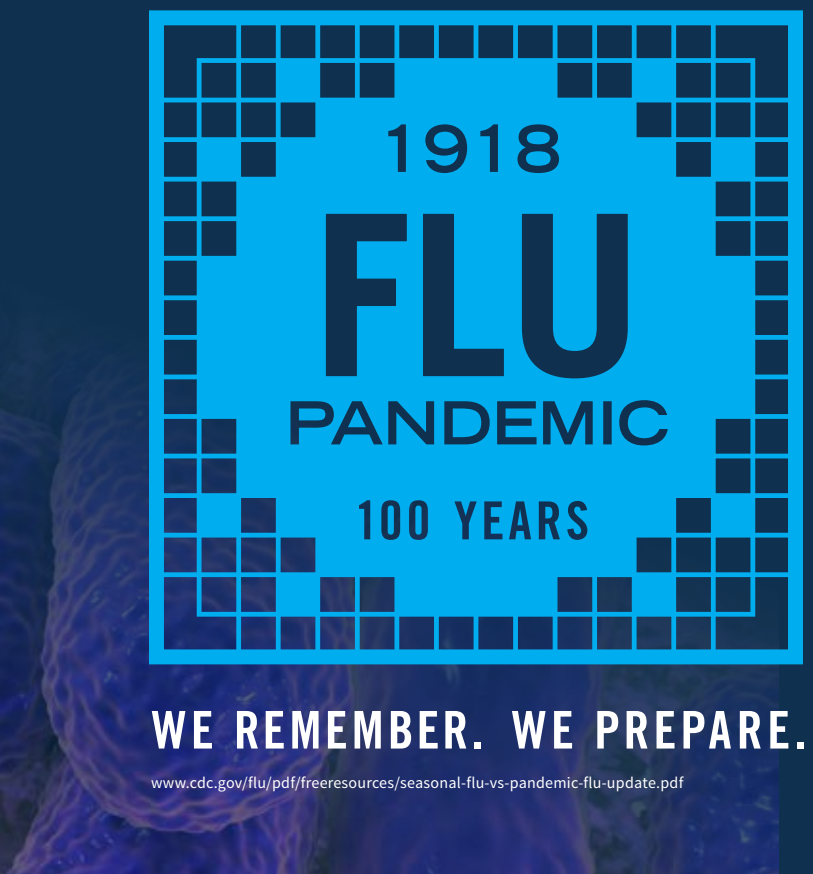
BioDiem's lead technology is the LAIV (Live Attenuated Influenza Virus) vaccine technology used for production of seasonal and pandemic influenza vaccines and is given intranasally. This technology is licensed currently to two commercial partners, in India and China, and is licenced to the World Health Organisation as part of the Global Pandemic Influenza Action Plan to Increase Vaccine Supply. Serum Institute of India's Nasovac-S™ is based on BioDiem's technology and is already marketed in India.

BioDiem's licencee in China, Changchun BCHT Biotechnology Co, has submitted a marketing application to the Chinese FDA and awaits approval. BioDiem has assigned its antimicrobial technology, BDM-I, to its subsidiary, Opal Biosciences Ltd. Opal is progressing the development of BDM-I for the treatment of antibiotic-resistant infections.

BioDiem uses a licensing model

- We take early stage technologies, mostly from universities and research institutes, and then work them up through to preparation for clinical trial
- To accelerate full development, we then licence them out to larger companies for clinical trials and marketing

An Australian biopharmaceutical company that is focused on developing and commercialising vaccines and infectious disease therapies



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Highlights of 2018-19

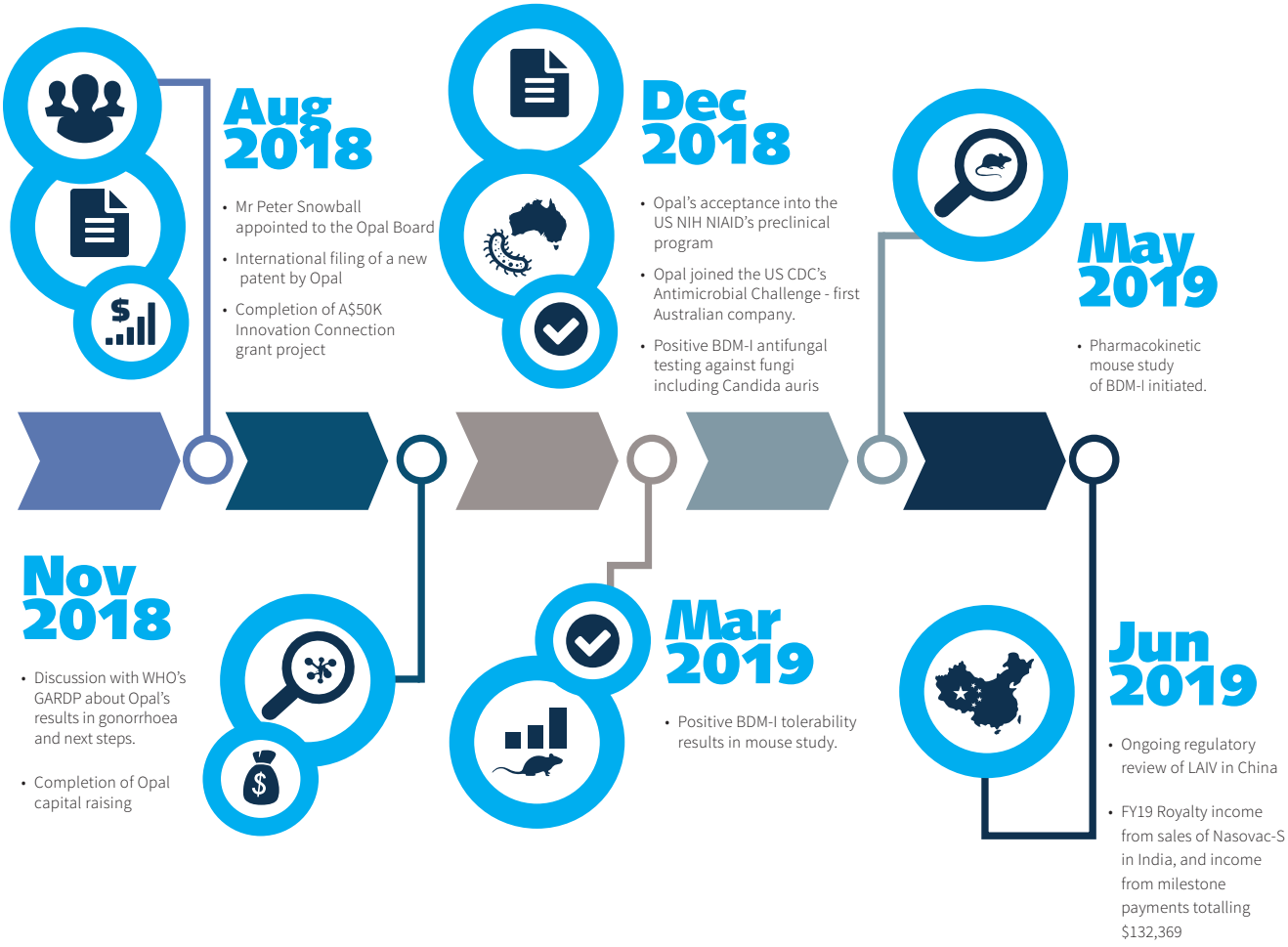
Highlights of 2019

Corporate

- Royalty income from sales of Nasovac-S in India, and income from milestone payments totalling $132,369.
- Opal Biosciences Ltd (Opal) completed capital raisings
  - in November 2018 raising $252,750 via a share placement to sophisticated investors; and
  - in August 2019 raising $280,000 via the early exercise of share options to continue the development of antimicrobial, BDM-I.
- Mr Peter Snowball, an experienced financial markets executive, was appointed to the Opal board in August 2018.
- Expenditure control continued.

Influenza Vaccine Technology (LAIV)

- Submission by Changchun BCHT Biotechnology Co. ("BCHT") of an application for marketing approval of its LAIV intranasal vaccine to the Chinese FDA China following completion of the Phase III clinical trial program. BCHT's LAIV intranasal influenza vaccine is made under licence from BioDiem. BioDiem will gain income from royalties on sales of BCHT's LAIV vaccine in the private sector in China.The regulatory review of BCHT's application is well underway.
- Completion of clinical evaluation a liquid quadrivalent LAIV which is expected to be approved for marketing in India to be licensed in 2020.

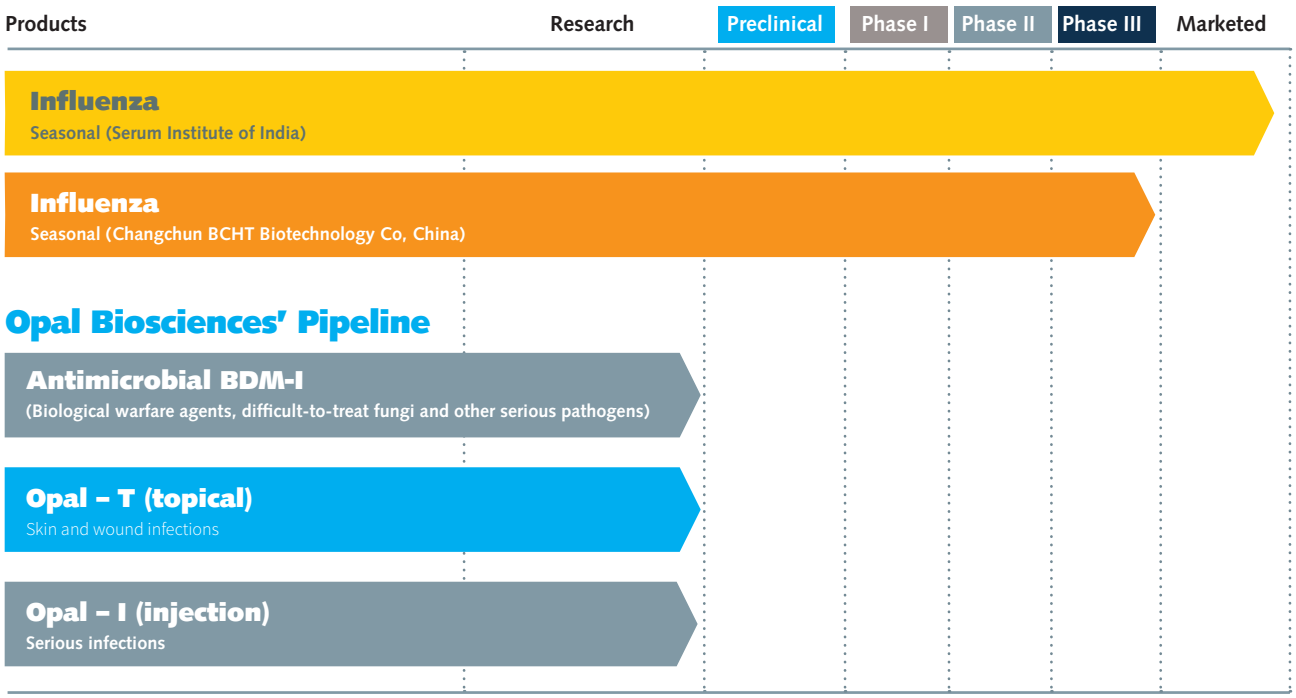


Antimicrobial BDM-I: Opal Biosciences Ltd

- In December 2018 Opal joined the US CDC's (Centers of Disease Control and Prevention) Antimicrobial Resistance (AMR) Challenge – an international call to action against AMR (https://www.cdc.gov/drugresistance/intl-activities/amr-challenge.html#o) .
- Opal's drug candidate BDM-I underwent additional testing in the US against new emerging infectious disease threats. In a benchtop assessment BDM-I performed better than three marketed therapies against most of these threat agents including Candida auris. Opal completed mouse dose-finding and pharmacokinetic studies to assist with the design of its next studies to show the beneficial effect of BDM-I to treat serious infections.
- Opal studies about how BDM-I kills certain bacteria revealed that it blocks the building of the cell wall. The research at the Ingham Medical Research Institute under Assoc Prof Slade Jensen has now expanded to look how BDM-I kills gonorrhoea bacteria.
- International filing of new PCT patent *"Treatment of staphylococcal and enterococcal infections using substituted nitrostyrene compounds"* in July 2018.

BioDiem

BioDiem Pipeline



Chairman's letter

Dear Shareholders,

It is my pleasure to report to you for the last financial year on our company BioDiem Ltd and its subsidiary, Opal Biosciences Ltd.

The highlight of our year has been the progress in China towards regulatory approval of Changchun BCHT Biotechnology Co's (BCHT's) LAIV vaccine: their intranasal influenza vaccine product which is based on BioDiem's LAIV technology. Under our licence with BCHT royalties will flow to us on sales of their vaccine in China in the private market. BCHT lodged an application for marketing of their seasonal influenza LAIV to the Chinese FDA during the year following completion of their clinical trial program. While we await news of this approval, we have continued to maintain an adequate cash position in Biodiem. In parallel, we have shared our resources with our subsidiary, Opal Biosciences Ltd ("Opal") and I can report to you on Opal's progress during the year.

Opal's main asset, its drug candidate called BDM-I, targets the treatment of antibiotic-resistant and hard-to-treat infections. It is recognised internationally at the highest levels that infections are becoming increasingly resistant to antibiotic treatment and this poses a serious human health threat. To our knowledge no new classes of antibiotics have been approved for human use in the past four decades. Development of new antibiotics takes many years and there are few new drugs in the development pipeline. Our generation takes antibiotics for granted; relying on their protection for major surgeries like joint replacements and organ transplants, as well as aggressive cancer treatments. In laboratory experiments, Opal's BDM-I, has shown that it can block the growth of quite a number of serious disease-causing organisms and I will outline our progress in its development since my last report.

Since February 2018 to date Opal has raised $1.138m from sophisticated investors. Together with non-dilutionary, grant and tax rebate assistance this has been used to undertake significant development work and patent portfolio growth in the company.

Following the finalisation of the transfer of BDM-I assets to Opal from BioDiem for the issue of shares, BioDiem remains Opal's largest shareholder currently standing at 67.73%. We continue to share resources with Opal which allows highly efficient management of costs.

Opal started the year preparing for studies which would show BDM-I can cure infections in animals: "proof-of-concept" studies. This involved designing a suitable formulation which could be injected and determining what doses should be explored. It is exciting to have a potential curative treatment, and it is also necessary for the treatment to be adequately safe. Opal's progress has been cautious and deliberate in pursuing studies to profile this and we are delighted with the progress Opal has made. In particular we are delighted with the assistance of US government agencies who have advised Opal and who have commissioned work for Opal at no cost.

Opal welcomed Peter Snowball to its board early in the financial year to join Mr Ken Windle, Julie Phillips and myself. Peter Snowball is an experienced financial markets executive.

I recognise that the illiquidity of BioDiem shares is aggravated by the long journey shareholders have had with BioDiem. Please know that the board is conscious of this and is investigating methods to alleviate the illiquidity.

I look forward to advising you of news on progress in BioDiem and Opal during the coming year.

Yours faithfully,

Hugh Morgan
Chairman

CEO's letter

Fellow Shareholders,

The 2019 financial year has seen significant progress in the development path of the two keys assets of our company, the LAIV flu vaccine technology and in our antimicrobial development program being conducted in our subsidiary Opal Biosciences Ltd ("Opal").

Our Chinese LAIV licencee, Changchun BCHT Biotechnology Co (BCHT) completed its phase III clinical trial program last year and submitted a dossier for marketing approval to the Chinese FDA, now called the National Medical Products Administration (NMPA). The regulatory review is well underway and is now in the final stages. We await news of the outcome of this review.

Sales in India continue to be slow. We anticipate news of approval in 2020 of a new formulation by our Indian licencee, Serum Institute of India, which is anticipated to be more acceptable to the market.

Opal has been focused primarily on preparation for testing in animals (mice) to show "proof of concept" and thereby lead to filing for "FDA Orphan Drug Designation". Its progress has been built on the successful capital raisings completed in 2018 raising $858,00 during the calendar year and supplemented more recently in August by the early exercise of some options raising $280,000.

Granting of US FDA Orphan Drug Designation would profile Opal internationally and open interest, not just from companies following Opal's therapeutic area in antimicrobial resistance but also from those specialising in orphan drugs. The FDA Orphan Drug Designation Program provides a number of incentives including research grants, tax credits for clinical research, and protocol assistance for the development of drugs for rare diseases and disorders. It also provides marketing exclusivity for approved orphan drug products. Opal's inclusion in the CDC AMR Challenge has also highlighted the company among the other international groups targeting antimicrobial resistance.

Opal also plans to file an application in November 2019 to CARB-X for additional non-dilutionary development funding.

The details of the work undertaken in Opal during the financial year can be found in the operational report. In brief the studies were to prepare for animal studies to demonstrate cure of infection "proof of concept" by determining in mice:

- dose range (maximum tolerated single dose);
- tolerability – single dose study
- route of administration comparison (oral [po], intraperitoneal [ip] and intravenous [iv]); and
- early pharmacokinetic studies (blood levels after injection exceeding concentrations needed in screening to kill important human pathogens).

In addition, Opal explored further mechanism of action studies, additional formulation development and broadened the testing against new infection threats.

The successful progress through this series of studies and in some cases with the ability to access the US National Institute of Allergy and Infectious Diseases (NIAID) non-clinical and pre-clinical services has been very pleasing. Opal is able to access these services at minimal cost and to gain benefit from this group's expertise. In parallel Opal ia working with Australian research groups to accelerate its progress.

The next six to nine months will be a critical period for Opal, specifically to:

- demonstrate proof-of-concept,
- achieve Orphan Drug Designation (FDA), and form the basis for what is hoped will be commercial interest in the BDM-I technology.

The coming year holds key events for BioDiem and Opal and I look forward to informing you of these.

Yours faithfully,

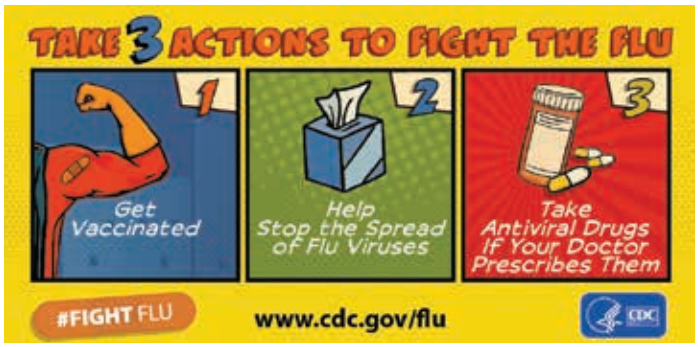
Julie Phillips
CEO

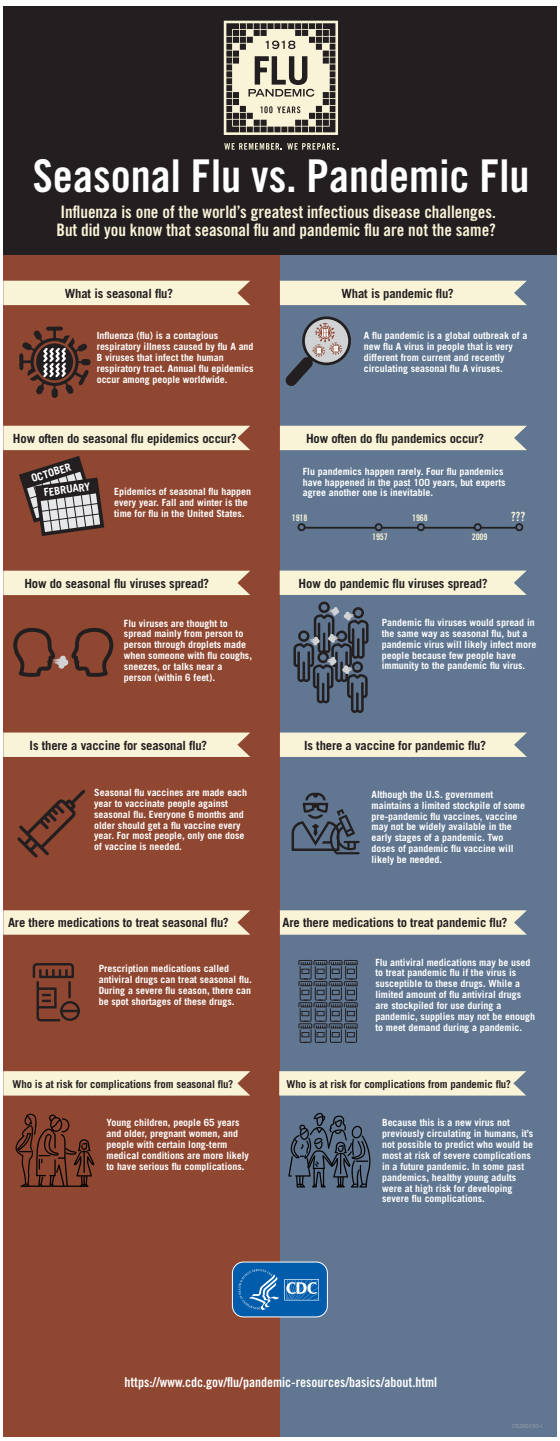
LAIV vaccine technology

Manufactured in SPF eggs or cell-based

Changchun BCHT Biotechnology Co, China	Clinical Trials completed	Marketing approval awaited in China*
Serum Institute of India	Marketed in India (Nasovac-S)*	Regulatory approval for liquid quadrivalent vaccine anticipated in 2020

*Royalties from sales flow to BioDiem (private market)
**Royalties from sales will flow to BioDiem (private market)





BioDiem

Review of operations

BioDiem owns

- an **influenza vaccine licensing business:**
  - this is based on BioDiem's proprietary live attenuated influenza virus (LAIV) technology.
- a **majority shareholding in Opal Biosciences Ltd:**
  - developing the antimicrobial drug, BDM-I, for the treatment of serious infectious diseases.

Influenza Vaccine Licensing Business

BioDiem's LAIV Vaccine business involves licensing our platform influenza vaccine technology to vaccine manufacturers for the production of intranasal vaccines for the prevention of seasonal and pandemic influenza. BioDiem receives payment from licence fees and royalties on sales.

BioDiem currently has two commercial partners:

- Serum Institute of India (Pune, India), and
- Changchun BCHT Biotechnology Co. (Jilin, China).

Our LAIV vaccine technology is also licensed to the World Health Organization (WHO) as part of the Global Pandemic Influenza Action Plan to Increase Vaccine Supply.

Significant developments during the past year include:

- Royalty and milestone income from sales of Nasovac-S in India, and income from milestone payments totalling $132,369. Nasovac-S is a seasonal influenza vaccine manufactured by Serum Institute of India based on BioDiem's LAIV (live attenuated influenza virus) vaccine technology. BioDiem receives royalties from sales of this product into the private market in India.
- Changchun BCHT Biotechnology Co. ("BCHT") China, has advised that it undergoing regulatory review of its application for marketing approval of its LAIV vaccine by the Chinese FDA. This has followed completion of Phase III clinical trials of their LAIV intranasal influenza vaccine made under licence from BioDiem. BioDiem will gain income from milestone payments and royalties on sales of BCHT's LAIV vaccine in the private sector in China.

Additional publications supporting the safety and effectiveness of the LAIV vaccine include:

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BioDiem

Review of operations

Antimicrobial BDM-I:

Opal's preclinical-stage antimicrobial compound BDM-I is being developed and commercialised to target the treatment of antibiotic-resistant and hard-to-treat human infections including 'superbugs'.

Opal was formed in May 2015 as a subsidiary of BioDiem Ltd.

Significant developments during the past year include:

Preparation for animal (mouse) studies to demonstrate cure of infection or "proof of concept" by determining:

- dose range (maximum tolerated single dose);
- tolerability – single dose study;
- route of administration comparison (oral [po], intraperitoneal [ip] and intravenous [iv]); and
- early pharmacokinetic parameters (blood levels achieved after injection exceeded concentrations needed in screening to kill important human pathogens).

In addition, we have explored further mechanism of action studies, additional formulation development and broadened BDM-I testing against new infection threats.

Maximum Tolerated Dose (*in vivo*) mouse study - single dose

This MTD (maximum tolerated dose) mouse study compared BDM-I given by injection and given by mouth, i.e. orally. It was conducted in Taiwan by Eurofins Panlabs.

The study protocol was designed to test the range of doses of BDM-I that can be given to healthy mice without causing side effects. Our partner Formulytica Pty Ltd prepared BDM-I into solutions which would be ready to be given to the study mice and shipped the materials to Taiwan.

Results: The study found that all dose levels tested (3 intravenous, and 3 oral dosages) were tolerated well by the mice.

This was just a single dose study, but the good results were pleasing. The results do not necessarily reflect what repeated doses of BDM-I will do and this is yet to be tested, but the single dose results provide a building block for further work.

Tolerability and pharmacokinetic study (mice)

With these results Opal was able to access the US National Institute of Allergy and Infectious Diseases (NIAID) non-clinical and pre-clinical services to undertake a pharmacokinetic study. The study compared the concentrations of BDM-I obtained in the blood (of a mouse) after a single dose given orally, intraperitoneally and intravenously.

The results showed that Opal's antimicrobial, BDM-I, given by injection can achieve blood levels in mice which both

- exceed those shown to be needed in lab bench testing (MIC screening) to kill some dangerous micro-organisms and
- which have shown no ill effects in mice in the doses tested.

The doses given to mice orally (by mouth) did not give significantly detectable blood levels and so subsequent studies using oral dosage would need to use higher dose levels. For the purposes of Opal's development program, the information from the injectable form is sufficient for development purposes at this stage.

Next steps: Proof-of-concept study

Proof-of-concept: It has always been Opal's goal to undertake a "proof-of-concept" study. Preparation for in vivo testing in mice to show proof-of-concept has started subsequent to the year–end. We anticipate that the results, if successful, could be extrapolated across different relevant infectious therapeutic areas and assist us (or an acquirer) move towards preparation for a clinical trial program, especially for infections where choices for treatment are scarce.

In vitro protein binding studies have been commissioned to be undertaken. This will assist understanding of the "free" BDM-I concentration achievable in the bloodstream so this can be compared to the results from MIC screening. The latter occurs on the lab bench in the absence of plasma. This study assist bridge between what happens in the lab and what could be anticipated in a human or animal setting.

Proof-of-concept studies are expected to commence before the end of the calendar year and is most likely to be conducted in a number of models, including in a fungal disease model due to higher commercial interest in this therapeutic area.

***In vitro* (lab bench) results against the causes of additional hard-to-treat fungal infections**

In December 2018 Opal's drug candidate, BDM-I, and three marketed antifungal drugs (fluconazole, voriconazole and posaconazole) were tested against eight different serious disease-causing microbes. The test compared the concentration of each

Review of operations

marketed drug and BDM-I needed to kill these microbes. The concentration of BDM-I needed was far lower in six out of eight cases including where the other drugs did not work at all, and in two cases the posaconazole concentration needed was slightly lower. The results were encouraging because new drugs are desperately needed for treatment of the infections that these fungi cause, and in one case, *Candida auris*, the marketed drugs are almost totally ineffective, but the concentration of BDM-I needed to be effective was low.

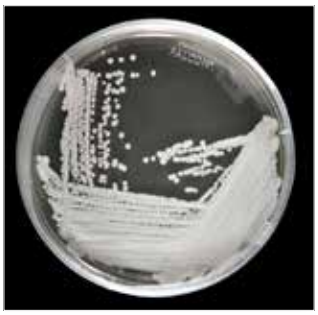
The problem posed by *Candida auris* is described by the US CDC https://www.cdc.gov/fungal/candida-auris/candida-auris-qanda.html.]

Invasive fungal infections, unlike those that occur on the skin or mucous membrane, are serious infections that can affect the blood, heart, brain, eyes, bones, and other parts of the body. They are often difficult to treat and can be deadly particularly in people with weakened immune systems.

While this study was a comparison of BDM-I's killing effect versus other drugs done on the "lab bench" it opens the possibility that BDM-I could be effective in infections caused by these fungi.

Mechanism of action against bacteria (i.e. how does BDM-I kill bacteria?)

Research at the Ingham Medical Research Institute (Liverpool) under Assoc Prof Slade Jensen has been investigating how BDM-I works to kill bacteria. These studies have revealed that BDM-I blocks the building of its cell wall. To date most of these studies have concentrated on Golden Staph (*Staph aureus*) and VRE (vancomycin-resistant enterococci), but Assoc Prof Jensen's work has now expanded to look at the effect of BDM-I on the bacteria that cause gonorrhoea. In 2018 our screening studies in Taiwan found that BDM-I can kill gonorrhoea strains in the lab (including highly antibiotic-resistant strains). Antibiotic-resistant gonorrhoea is a hot topic around the world and is listed as an "Urgent Threat" by the US CDC. and we in discussion with the WHO's GARD-P in Geneva.



Candida auris:
A drug-resistant germ that spreads in healthcare facilities

Why is *Candida auris* a problem?

It causes serious infections. *C. auris* can cause bloodstream infections and even death, particularly in hospital and nursing home patients with serious medical problems. More than 1 in 3 patients with invasive *C. auris* infection (for example, an infection that affects the blood, heart, or brain) die.

It's often resistant to medicines. Antifungal medicines commonly used to treat *Candida* infections often don't work for *Candida auris*. Some *C. auris* infections have been resistant to all three types of antifungal medicines.

It's becoming more common. Although *C. auris* was just discovered in 2009, it has spread quickly and caused infections in more than a dozen countries.

It's difficult to identify. *C. auris* can be misidentified as other types of fungi unless specialized laboratory technology is used. This misidentification might lead to a patient getting the wrong treatment.

It can spread in hospitals and nursing homes. *C. auris* has caused outbreaks in healthcare facilities and can spread through contact with affected patients and contaminated surfaces or equipment. Good hand hygiene and cleaning in healthcare facilities is important because *C. auris* can live on surfaces for several weeks.

Most people who get serious Candida infections are already sick from other medical conditions.

CDC
Centers for Disease Control and Prevention
National Center for Emerging and Zoonotic Infectious Diseases

Review of operations

It is possible that we will be able to conduct a proof-of-concept study with the disease target of gonorrhoea in the coming year.

Results to date indicate that BDM-I's cellular target is novel and therefore BDM-I represents a next-generation anti-infective.

Intellectual property strengthening:

In July 2018 based on the discoveries made in the research undertaken at the Ingham Institute, Western Sydney University, an International filing of a new PCT patent was made entitled *"Treatment of staphylococcal and enterococcal infections using substituted nitrostyrene compounds"*.

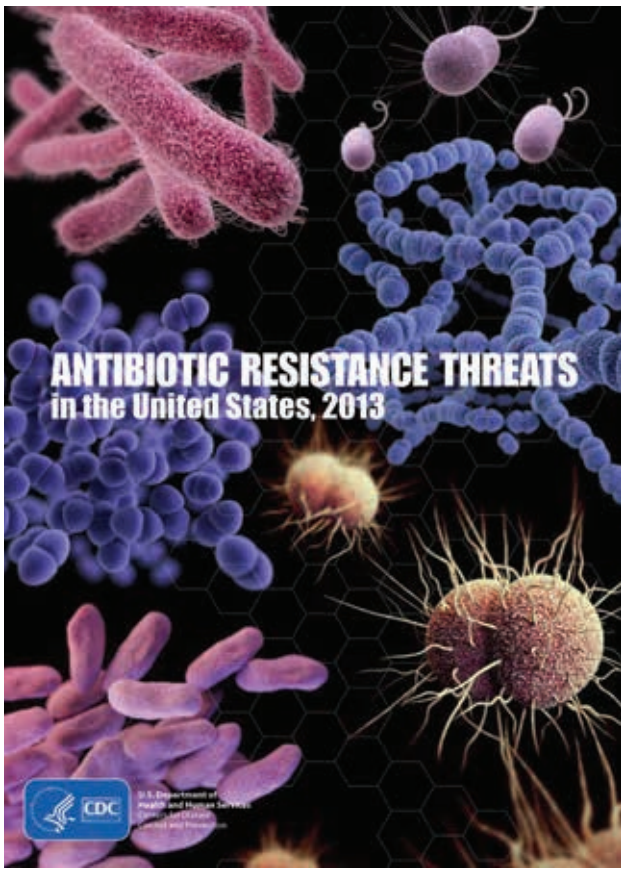
International Profiling

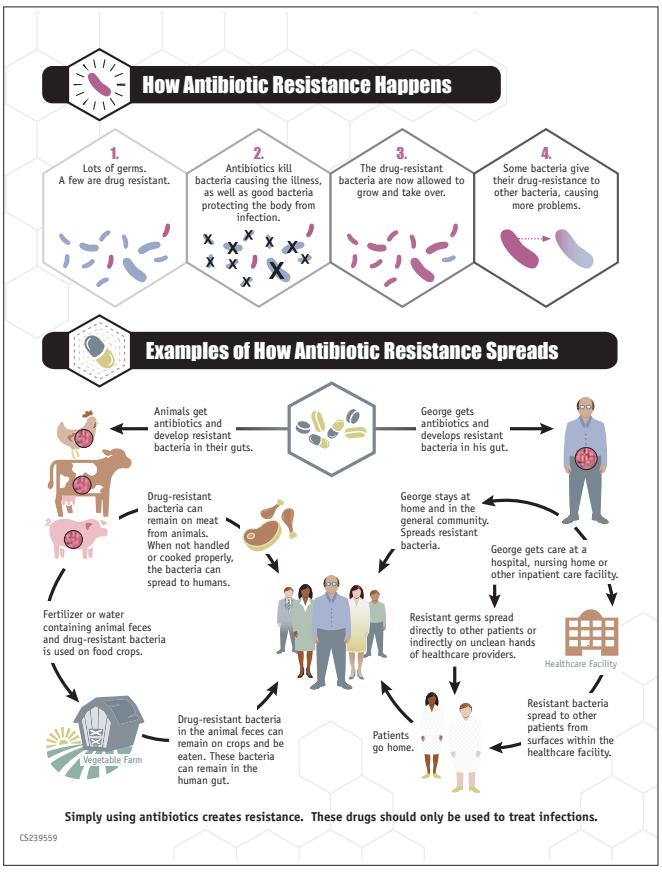
In December 2018 Opal was pleased to announce that it joined the U.S. Government's Antimicrobial Resistance (AMR) Challenge by committing to continue to develop urgently needed new anti-infective treatments for life-threatening and hard-to-treat infections. The AMR Challenge is a yearlong effort to accelerate the fight against antimicrobial resistance across the globe. The AMR Challenge is a way for governments, private industries, and non-governmental organizations worldwide to make formal commitments that further the progress against antimicrobial resistance. (https://www.cdc.gov/drugresistance/intl-activities/amr-challenge.html.)

Granting of US FDA Orphan Drug Designation would profile Opal internationally and open interest, not just from companies following our therapeutic area but also from those specialising in orphan drugs. The FDA Orphan Drug Designation Program provides a number of incentives including research grants, tax credits for clinical research, and protocol assistance for the development of drugs for rare diseases and disorders. It also provides marketing exclusivity for approved orphan drug products. Our inclusion in the CDC AMR Challenge has also highlighted our company among the others international groups targeting antimicrobial resistance.

In 2017 the World Health Organisation (WHO) published a list of antibiotic-resistant bacteria referred to as "priority pathogens". These are viewed by the WHO as those posing the greatest risk to human health. The list is divided into critical, high and medium priority. These bacteria can cause severe and often deadly infections like pneumonia and sepsis (bloodstream infection) https://www.who.int/news-room/detail/27-02-2017-who-publishes-list-of-bacteria-for-which-new-antibiotics-are-urgently-needed.

Similarly, the CDC in 2018 published its report entitled Antibiotic Resistance Threats in the US 2013. BDM-I shows activity in the lab against six of the 19 pathogens listed.





Financial Report

BioDiem

Directors' report

30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of BioDiem Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of BioDiem Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Mr Hugh M Morgan AC
- Ms Julie Phillips
- Prof Larisa Rudenko
- Prof Arthur Kwok Cheung Li

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- The development and commercialisation of pharmaceutical and biomedical research.
- Securing licences for its range of biopharmaceutical products currently under development.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $346,956 (30 June 2018: $367,419).

Royalty and milestone revenues in 2019 were $132,369 compared to $119,397 in 2018, while interest income was $3,557 (2018: $4,724). The Group also received $50,000 as grant income in FY19 (2018: $nil). Research and development costs were $170,128 (2018: $194,995). Administration expenses were $587,402 (2018: $518,524).

The consolidated entity commenced the financial year with cash reserves of $758,281. Cash inflows from its subsidiary Opal Biosciences Limited ("Opal") from the issue of 1,011,000 ordinary shares at $0.25 (25 cents) per share raised $252,750 compared to $606,000 raised in FY18. Cash outlays were $394,135 compared to $323,590 in the prior year for research and administration. Cash inflows were $182,369 from licensing fees and management fees (2018: $345,729 from licensing fees). Cash receipts from the R&D Tax Incentive were $95,529 compared to $125,937 in the previous year. Cash reserves at the end of the financial year total $616,896.

Significant changes in the state of affairs

In December 2018 Opal, a subsidiary of the consolidated entity, completed a placement of 1,011,000 ordinary shares at $0.25 (25 cents) per share, raising $252,750, diluting BioDiem's controlling interest in Opal from 77.91% to 73.29%. The shares were issued with one free attaching option for each share with an exercise price of $0.25 (25 cents) and an expiry date of 31 October 2020.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Company will continue to implement its existing strategy by focusing on the development of its various technologies in an economically efficient manner.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Directors' report

30 June 2019

Information on directors

Name, title, qualifications | Experience and expertise

Hugh M Morgan AC

LLB, BCom.

Chairman
Non-Executive Director

Hugh Morgan is Principal of First Charnock Pty Ltd. Hugh was appointed Chief Executive Officer of Western Mining Corporation (1990-2003) and prior to that served as an Executive Officer (1976-1986) and then Managing Director (from June 1986). Hugh has served as a Director of Alcoa of Australia Limited (1977-1998 and 2002-2003); Director of Alcoa Inc. (1998-2001); Member of the Board of the Reserve Bank of Australia (1981-1984 and 1996-2007); President of the Australian Japan Business Co-Operation Committee (1999-2006); Joint Chair of the Commonwealth Business Council (2003-2005) and now Emeritus Director; President of the Business Council of Australia (2003-2005) and now an Honorary Member; Member of the Anglo American plc Australian Advisory Board (2006-2014). Hugh is a Member of the Lafarge International Advisory Board; Chairman of the Order of Australia Association Foundation Limited; Trustee Emeritus of The Asia Society New York; Chairman Emeritus of the Asia Society AustralAsia Centre; Member of the Asia Society Australia Advisory Council; President of the National Gallery of Victoria Foundation. Hugh is a graduate in Law and Commerce from the University of Melbourne.

Special responsibilities
Chairman of Audit Committee, Chairman of Remuneration and Nomination Committee

Julie Phillips

BPharm, DHP, MSc, MBA.

Chief Executive Officer and Executive Director

Ms Julie Phillips has a strong background in the biotech and pharmaceutical industry, having worked as the CEO and Director of start-up Australian biotechnology companies operating in the life sciences sector. She is Managing Director of BioDiem's subsidiary, Opal Biosciences Ltd, Chairman of AusBiotech Ltd, the peak biotechnology industry association in Australia, and a Director of the Medtech and Pharma Growth Centre, MTP Connect. Julie has also been appointed to the University of Newcastle's Council and sits on a number of government advisory committees.

Special responsibilities
None

Larisa Rudenko

MD, PhD, DSc.

Director of Russian Projects, Non-Executive Director

Professor Larisa Rudenko is Head of the Virology Department in the Institute of Experimental Medicine, St. Petersburg, Russia. Professor Rudenko worked with Academician Smorodintsev and has been responsible for the development and clinical trials of the live attenuated influenza vaccines in Russia. She is recognised as one of the world's leading experts in live attenuated influenza vaccines and as such has worked closely over the past 20 years with scientists at the Centers for Disease Control and Prevention, Atlanta, USA in developing effective influenza prophylaxis programs for use in children and in the elderly. She has published in excess of 225 scientific papers and 42 patents. Under her supervision, 11 PhD and 2 DSc theses have been prepared. In 1999 her contribution to medical science was recognised with the award of the title of Honoured Scientist of the Russian Federation. Professor Rudenko is currently leading the WHO and PATH programs, developing a new pandemic LAIV.

Special responsibilities
Member of Audit Committee, Member of Remuneration and Nomination Committee

BioDiem

Directors' report

30 June 2019

Name, title, qualifications	Experience and expertise

Arthur Kwok Cheung Li

BA, MA, MB BChir, MD, HonDSc (Hull), HonDLitt (HKUST), HonDoc (Soka), HonLLD (CUHK), HonDSc(Med) (UCL), HonLLD (UWE), FRCS, FRCSEd, FRACS, FCSHK, FHKAM (Surgery), HonFPCS, HonFRCGlas, HonFRSM, HonFRCS(I), HonFACS, HnFRCP(Lon), HonFCSHK, HonFAS

Non-Executive Director

Professor Arthur Li was appointed a Director of the Company for the first time on 27 May 2010. He then resigned as a Director on 13 December 2014, and was recently re-appointed as a Director on 20 January 2016. Professor Li was awarded the degree of Doctor of Medicine by University of Cambridge, UK. He is a well-credentialed and respected educator and surgeon who is currently Deputy Chairman of The Bank of East Asia; an Independent Non-Executive Director of Shangri-La Asia Ltd. He is Emeritus Professor of Surgery of The Chinese University of Hong Kong and Council Chairman of The University of Hong Kong. He is a member of the Executive Council of the Hong Kong Special Administrative Region and also Chairman of the Council for Sustainable Development of the Government of the Hong Kong special Administrative Region. He was also a Director of AFFIN Holdings Berhad. Among his many previous appointments and associations, he has been a Council Fellow of the University of Melbourne, Dean of the Faculty of Medicine and Vice-Chancellor of The Chinese University of Hong Kong. Professor Li was the Secretary for Education and Manpower of the Government of HKSAR. He was also a member of the Board of Glaxo Wellcome plc. He is a member of the National Committee of the Chinese People's Political Consultative Conference. He was appointed as Council Member of the Executive Council of HKSAR on 1 July 2017, and was awarded the Grand Bauhinia Medal by the Chief Executive of HKSAR Government on 30 June 2017.

Special responsibilities

Member of Audit Committee, Member of Remuneration and Nomination Committee

Melanie Leydin

Company Secretary

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Hugh M Morgan	10	10	1	1
Julie Phillips	10	10	-	1
Larisa Rudenko	7	10	1	1
Arthur Kwok Cheung Li	7	10	-	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors' report

30 June 2019

Shares under option

Unissued ordinary shares of BioDiem Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
8 October 2013	30 September 2023	$0.080	666,667
8 October 2013	30 September 2023	$0.120	666,667
8 October 2013	30 September 2023	$0.200	666,666
			2,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of BioDiem Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Auditor's independence declaration

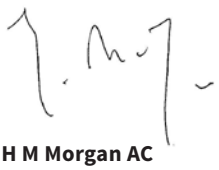
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



H M Morgan AC
Director

24 October 2019
Melbourne

BioDiem

Auditor's independence declaration

30 June 2019

Grant Thornton

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W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of BioDiem Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of BioDiem Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 24 October 2019

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	Consolidated 2019	Consolidated 2018
		$	$
Revenue	3	185,926	124,121
Other income	4	163,489	83,810
Expenses			
Licence fees and royalty expenses		(23,980)	(18,251)
Research and development expenses		(170,128)	(194,995)
Administration expenses		(587,402)	(518,524)
Loss before income tax expense	5	(432,095)	(523,839)
Income tax expense	6	-	-
Loss after income tax expense for the year		(432,095)	(523,839)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(432,095)	(523,839)
Loss for the year is attributable to:			
Non-controlling interest		(85,139)	(156,420)
Owners of BioDiem Limited		(346,956)	(367,419)
		(432,095)	(523,839)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(85,139)	(156,420)
Owners of BioDiem Limited		(346,956)	(367,419)
		(432,095)	(523,839)

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

BioDiem

Statement of financial position

As at 30 June 2019

	Note	Consolidated 2019	2018
		$	$
Assets			
Current assets			
Cash and cash equivalents	7	616,896	758,281
Trade and other receivables	8	158,802	17,459
Other assets	9	204,314	258,752
Total current assets		980,012	1,034,492
Total assets		980,012	1,034,492
Liabilities			
Current liabilities			
Trade and other payables	10	198,849	85,106
Employee benefits	11	120,109	108,987
Total current liabilities		318,958	194,093
Total liabilities		318,958	194,093
Net assets		661,054	840,399
Equity			
Issued capital	12	32,168,532	32,168,532
Reserves	13	46,757	46,757
Accumulated losses		(32,273,213)	(31,926,257)
Equity attributable to the owners of BioDiem Limited		(57,924)	289,032
Non-controlling interest	14	718,978	551,367
Total equity		661,054	840,399

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

Statement of changes in equity

For the year ended 30 June 2019

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Non–controlling interest $	Total equity $
Balance at 1 July 2017	32,168,532	46,757	(31,558,838)	101,787	758,238
Loss after income tax expense for the year	-	-	(367,419)	(156,420)	(523,839)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(367,419)	(156,420)	(523,839)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 16)	-	-	-	606,000	606,000
Balance at 30 June 2018	32,168,532	46,757	(31,926,257)	551,367	840,399

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Non–controlling interest $	Total equity $
Balance at 1 July 2018	32,168,532	46,757	(31,926,257)	551,367	840,399
Loss after income tax expense for the year	-	-	(346,956)	(85,139)	(432,095)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(346,956)	(85,139)	(432,095)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 14)	-	-	-	252,750	252,750
Balance at 30 June 2019	32,168,532	46,757	(32,273,213)	718,978	661,054

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

BioDiem

Statement of cash flows

For the year ended 30 June 2019

	Note	Consolidated 2019	Consolidated 2018
		$	$
Cash flows from operating activities			
Cash receipts in course of operations		182,369	345,729
Cash payments in course of operations		(672,968)	(798,019)
		(490,599)	(452,290)
Interest received		935	2,763
R&D Tax Offset received		95,529	125,937
Net cash used in operating activities	23	(394,135)	(323,590)
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares of subsidiary		252,750	606,000
Net cash from financing activities		252,750	606,000
Net (decrease)/increase in cash and cash equivalents		(141,385)	282,410
Cash and cash equivalents at the beginning of the financial year		758,281	475,871
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial year	7	616,896	758,281

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

Notes to the financial statements

30 June 2019

Note 1. General information

The financial statements cover BioDiem Limited as a consolidated entity consisting of BioDiem Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019. The financial statements are presented in Australian dollars, which is BioDiem Limited's functional and presentation currency. BioDiem Limited as a consolidated entity is "for-profit".

BioDiem Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
South Melbourne, VIC 3205

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 October 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The consolidated entity adopted AASB 15 as of 1 July 2019. There was no impact from adoption of these standards.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

There was no impact to the accounting proecesses, financial performance or financial position of the Group as a result of adoption of this standard in either the current or comparative period.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group reported a net loss after tax of $432,095 (2018: $523,839 net loss after tax) for the financial year ended 30 June 2019. The net loss after tax is directly attributable to the expenditures incurred in ongoing research and development activities, as well as administration expenditure. Despite the net loss after tax incurred for the period, the Directors have prepared the financial statements on the going concern basis. The going concern basis is considered appropriate based on a combination of the existing net assets of the Group, which amount to $661,054 (30 June 2018: $840,399), including cash and cash equivalent assets of $616,896 (30 June 2018: $758,281), and the expectation of Group's ongoing ability to successfully secure additional sources of financing. In this regard, the Directors note the following:

- The Group has a licensing agreement with the Serum Institute of India ("Serum"), which entitles the Group to royalty income upon sales of LAIV influenza vaccine.

Notes to the financial statements

30 June 2019

- The Group has a LAIV licensing agreement with the Changchun BCHT Biotechnology Co., where the vaccine subject to the LAIV licensing agreement is currently submitted to and awaiting approval for marketing from the Chinese FDA. If the development and commercialisation of the vaccine is successful, the LAIV licensing agreement is expected to provide further royalty income streams over the next two years.
- The Group includes a subsidiary company, Opal Biosciences which was formed in May 2015 to commercialise the asset, BDM-I technology. Opal Biosciences has successfully raised $252,750 from issue of ordinary shares during the financial year and the Group is considering other alternative sources of cash inflows from financing initiatives, such as capital raisings, including the exercise of options. In addition, subsequent to year end, Opal Biosciences received $280,000 from the early exercise of options.
- Directors have the ability to curtail discretionary expenditures, which form a significant part of the Group's total expenditure, enabling the Group to fund its operating expenditures within its available cash reserves.

For these reasons, the Directors believe the Group has positive future prospects and are satisfied the going concern basis of preparation of these annual financial statements is appropriate.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BioDiem Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. BioDiem Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Notes to the financial statements

30 June 2019

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is BioDiem Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Licensing fees

Licensing fees derived from the grant of rights to exploit certain master donor strains are recognised by reference to the stage of completion at the transaction date. This is expected to be when the milestone events outlined in the contract have occurred, this is in line with when performance obligations included in the contract are met.

No revenue is recognised unless the outcome of a transaction can be estimated reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion can be measured reliably, and costs incurred for the transaction and costs to complete the transaction can be measured reliably.

Royalty and milestone revenue

Royalty and milestone revenues are recognised in the period in which the right to receive the royalty has been established and the performance obligations are met.

Grant and concession revenue

Unconditional government grants are recognised in profit or loss as other income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when received and when there is reasonable assurance that the entity will comply with the conditions attaching to it.

Other grants or concessions, including Research & Development Tax concessions, that compensate the entity for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred, and as a receivable over the same period.

Notes to the financial statements

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on any development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product is technically feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the financial statements

30 June 2019

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Notes to the financial statements

30 June 2019

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but there is no material effect on the Group recognition or measurement as the Group is not involved in any lease agreements.

Notes to the financial statements

30 June 2019

Note 3. Revenue

	Consolidated	
	2019	2018
	$	$
Royalty and milestone revenue	132,369	119,397
Grant income	50,000	-
	182,369	119,397
Other revenue		
Interest	3,557	4,724
Revenue	185,926	124,121

Note 4. Other income

	Consolidated	
	2019	2018
	$	$
Net foreign exchange gain	8,113	6,745
Research & Development Tax Concession	155,376	77,065
Other income	163,489	83,810

Note 5. Expenses

	Consolidated	
	2019	2018
	$	$
Loss before income tax includes the following specific expenses:		
Employee Benefits Expense		
Wages and salaries	222,831	196,195
Superannuation - defined contribution	20,531	18,358
Increase in annual leave provision	4,691	26,170
Increase in long service leave provision	6,431	11,595
Total	254,484	252,318

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Notes to the financial statements

30 June 2019

Note 6. Income tax expense

	Consolidated 2019	Consolidated 2018
	$	$
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(432,095)	($523,839)
Tax at the statutory tax rate of 27.5%	(118,826)	(144,056)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research & Development tax incentive - not assessable	(42,291)	(21,193)
Research & Development expenditure - not deductible	92,158	48,718
	(68,959)	(116,531)
Current year tax losses not recognised	94,491	125,073
Current year temporary differences not recognised	(25,532)	(8,542)
Income tax expense	-	-

	Consolidated 2019	Consolidated 2018
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	30,620,225	30,777,963
Potential tax benefit @ 27.5%	8,420,562	8,463,940

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Current assets – cash and cash equivalents

	Consolidated 2019	Consolidated 2018
	$	$
Cash at bank	616,896	656,813
Cash on deposit	-	101,468
	616,896	758,281

Note 8. Current assets – trade and other receivables

	Consolidated 2019	Consolidated 2018
	$	$
Trade receivables	154,142	10,540
Interest receivable	1,166	606
GST receivable	3,494	6,313
	158,802	17,459

Refer to note 16 for further information on financial instruments.

Notes to the financial statements

30 June 2019

Note 9. Current assets – other assets

	Consolidated	
	2019	2018
	$	$
Accrued revenue	-	83,755
Prepayments	78,384	51,128
Short term deposits supporting bank guarantees	125,930	123,869
	204,314	258,752

The company holds two short term deposits, one ($46,284) is a ten month term deposit maturing on 23 September 2019. The other ($79,646) is a six month term deposit, maturing on 25 September 2019. The term deposits are earning 2.60% and 2.10% per annum respectively

Note 10. Current liabilities – trade and other payables

	Consolidated	
	2019	2018
	$	$
Trade payables	11,044	48,281
Other payables	187,805	36,825
	198,849	85,106

Refer to note 16 for further information on financial instruments.

Note 11. Current liabilities – employee benefits

	Consolidated	
	2019	2018
	$	$
Annual leave	74,138	69,447
Long service leave	45,971	39,540
	120,109	85,106

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2019	2018
	$	$
Long service leave	45,971	39,540

BioDiem

Notes to the financial statements

30 June 2019

Note 12. Equity – issued capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	$	$
Ordinary shares - fully paid	174,734,060	174,734,060	31,019,592	31,019,592
Convertible Preference shares - fully paid	14,392,433	14,392,433	1,148,940	1,148,940
	189,126,493	189,126,493	32,168,532	32,168,532

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Convertible Preference shares

Preference shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 2018 Annual Report.

Note 13. Equity – reserves

	Consolidated	
	2019	2018
	$	$
Share-based payments reserve	46,757	46,757

Share–based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Notes to the financial statements

30 June 2019

Note 14. Equity – non-controlling interest

	Consolidated	
	2019	2018
Issued capital	961,757	709,007
Accumulated losses	(242,779)	(157,640)
	718,978	551,367

Details	Date	Shares	Issue Price	$
Opening Balance	01/07/2016	515,000	$0.20	103,007
Issue of Shares - to external investors	23/02/2018	3,030,000	$0.20	606,000
Issue of shares- to external investors	18/12/2018	1,011,000	$0.25	252,750
Closing Balance as 30 June 2019		4,556,000		961,757

Note 15. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 16. Financial instruments

Financial risk management objectives

Exposure to liquidity, credit and currency risks arise in the normal course of the company's business.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The company is not exposed to significant interest rate risk.

Credit risk

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised, as counterparties are recognised financial intermediaries, with acceptable credit ratings determined by recognised credit agencies.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position.

None of the company's receivables are past their due date.

Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements

30 June 2019

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2019	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	198,849	-	-	-	198,849
Total non-derivatives		198,849	-	-	-	198,849

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2018	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	85,106	-	-	-	85,106
Total non-derivatives		85,106	-	-	-	85,106

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Guarantees

The Group has in place two term deposits for periods of six months and ten months amounting to $79,646 and $46,284 respectively totalling $125,930 (2018: $123,869) in support of its undertakings under a guarantee for $60,000 on account of the Group's credit cards.

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2019	2018
	$	$
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	45,000	35,750

Notes to the financial statements

30 June 2019

Note 18. Contingent liabilities

The consolidated entity holds a licence to commercialise influenza vaccine technologies from the Institute of Experimental Medicine. Under this agreement the consolidated entity is obliged to pay the Institute of Experimental Medicine 20% of all payments received from any Licensee and 20% of any royalties arising from net sales.

The consolidated entity holds a licence to commercialise the BDM-I antimicrobial technology from the Institute of Experimental Medicine. Under this agreement the consolidated entity is obliged to pay the Institute of Experimental Medicine 10% of all payments received from any Licensee and 10% of any royalties arising from net sales (or 5% in each case, where the commercialisation is done by the consolidated entity).

	Consolidated	
	2019	2018
	$	$
Bank guarantees	13,750	13,750

The guarantee above is related to the credit card facility operated by BioDiem.

Note 19. Commitments

There are no commitments for 2019 (2018: Nil).

Note 20. Related party transactions

Parent entity

BioDiem Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	$	$
Key management personnel compensation:		
Short-term employee benefits	222,831	196,195
Post-employee benefits	20,531	18,358

Prof Rudenko is the Head of the Virology Department at the Institute of Experimental Medicine ("the Institute"). During the course of the year the Group paid licence fees and royalties amounting to $23,980 (2018: $18,251) to the Institute.

Since February 2018, Opal Biosciences Limited entered into a service agreement to pay $22,786 as an operation and management fee every month to the parent entity.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Notes to the financial statements

30 June 2019

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	$	$
Loss after income tax	(111,026)	(315,737)
Total comprehensive income	(111,026)	(315,737)

Statement of financial position

	Parent	
	2019	2018
	$	$
Total current assets	997,731	530,279
Total assets	997,731	530,279
Total current liabilities	244,302	165,822
Total liabilities	244,302	165,822
Equity		
Issued capital	32,168,532	32,168,532
Share-based payments reserve	46,757	46,757
Accumulated losses	(31,461,860)	(31,850,832)
Total equity	753,429	364,457

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018, other than as mentioned below.

The consolidated entity holds a licence to commercialise influenza vaccine technologies from the Institute of Experimental Medicine. Under this agreement the consolidated entity is obliged to pay the Institute of Experimental Medicine 20% of all payments received from any Licensee and 20% of any royalties arising from net sales.

The consolidated entity holds a licence to commercialise the BDM-I antimicrobial technology from the Institute of Experimental Medicine. Under this agreement the consolidated entity is obliged to pay the Institute of Experimental Medicine 10% of all payments received from any Licensee and 10% of any royalties arising from net sales (or 5% in each case, where the commercialisation is done by the consolidated entity).

Notes to the financial statements

30 June 2019

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
	Principal place of business / Country of incorporation	2019	2018
Name		%	%
Savine Therapeutics Pty Ltd	Australia	100.00%	100.00%
Opal Biosciences Limited*	Australia	73.29%	77.91%

During the financial year, Opal successfully completed a placement, issuing 1,011,000 ordinary shares at $0.25 per share raising $252,750.

BioDiem retains the majority shareholding of Opal due to its equity holding and continues to support the development of Opal's asset, BDM-I.

Note 23. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2018
	$	$
Loss after income tax expense for the year	(432,095)	(523,839)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(141,343)	6,516
Increase in prepayments	(27,256)	(4,239)
Increase in other current assets	81,694	126,029
Increase in trade and other payables	113,743	34,178
Increase in employee benefits	11,122	37,765
Net cash used in operating activities	(394,135)	(323,590)

Notes to the financial statements

30 June 2019

Note 24. Share-based payments

The Group has an Employees' and Officers' Incentive Option Scheme pursuant to which options may be issued to eligible persons, being directors', employees and consultants or their approved nominees. Eligible persons may receive options based on the achievement of specific performance hurdles, which are a blend of Group and personal objectives appropriate for the roles and responsibilities of each individual.

Under the scheme signed in October 2006, the Group has the ability to issue options up to 5 percent of the issued capital. As at 30 June 2019 there were 174,734,060 shares on hand.

When issued, the options will have an exercise price of not less than the average closing trading price of the Group's ordinary listed shares on the five days prior to issuing invitations to accept options under the scheme, will have an expiry date not later than five years after the date of issue, and will vest at such times as the Board with the advice from the Remuneration Committee may specify in the applicable invitation to accept the options.

On 27 July 2009 the Group issued 160,000 options under the ESOP. These options were restricted until 27 July 2010 and lapsed on 27 July 2014. The exercise price was set at $0.136.

At the Annual General Meeting, held on 8 October 2013, 2 million options were granted to the CEO under the scheme. The options vested in accordance with the Scheme rules and lapse after 30 September 2023.

All options vest on the basis of one third per annum after the year of issue. There are no voting rights or dividend rights attached to these options. All these options expire on the earlier of the expiry date or the date of the employee termination, unless otherwise agreed.

No shares issued on exercise of options granted under the scheme during the year or in the previous year.

Set out below are summaries of options granted under the plan:

2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/10/2013	30/09/2023	$0.080	666,667	-	-	-	666,667
08/10/2013	30/09/2023	$0.120	666,667	-	-	-	666,667
08/10/2013	30/09/2023	$0.200	666,666	-	-	-	666,666
			2,000,000	-	-	-	2,000,000

Notes to the financial statements

30 June 2019

2018							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/10/2013	30/09/2023	$0.080	666,667	-	-	-	666,667
08/10/2013	30/09/2023	$0.120	666,667	-	-	-	666,667
08/10/2013	30/09/2023	$0.200	666,666	-	-	-	666,666
			2,000,000	-	-	-	2,000,000
Weighted average exercise price			$0.133	$0.000	$0.000	$0.000	$0.133

Set out below are the options exercisable at the end of the financial year:

		2019	2018
Grant date	Expiry date	Number	Number
08/10/2013	30/09/2023	2,000,000	2,000,000
		2,000,000	2,000,000

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
08/10/2013	30/09/2023	$0.030	$0.080	100.00%	-	3.97%	$0.024
08/10/2013	30/09/2023	$0.030	$0.120	100.00%	-	3.97%	$0.024
08/10/2013	30/09/2023	$0.030	$0.200	100.00%	-	3.97%	$0.022

Directors' declaration

30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

H M Morgan AC
Director

24 October 2019
Melbourne

Independent auditor's report to the members of BioDiem Limited

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Independent Auditor's Report

To the Members of BioDiem Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of BioDiem Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 2019 and of its performance for the year ended on that date; 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.

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 2019, but does not include the financial report and our auditor's report thereon.

Independent auditor's report to the members of BioDiem Limited

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

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

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

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.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 24 October 2019

Corporate directory

Directors
Mr Hugh M Morgan AC (Chairman, Non-Executive Director)
Ms Julie Phillips (Chief Executive Officer)
Prof Larisa Rudenko (Non-Executive Director)
Prof Arthur Kwok Cheung Li (Non-Executive Director)

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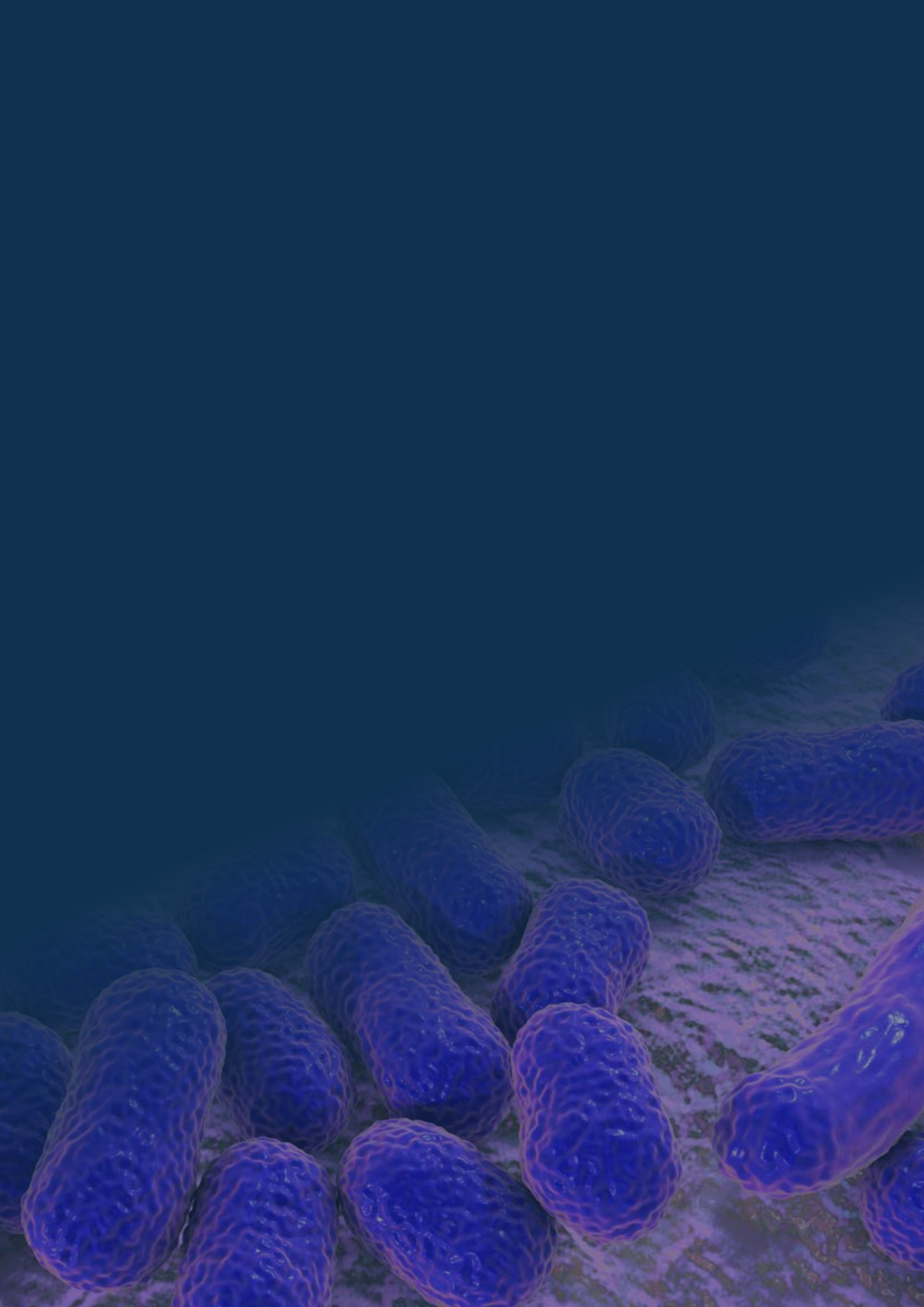

BioDiem

For more information, please visit: **www.biodiem.com**