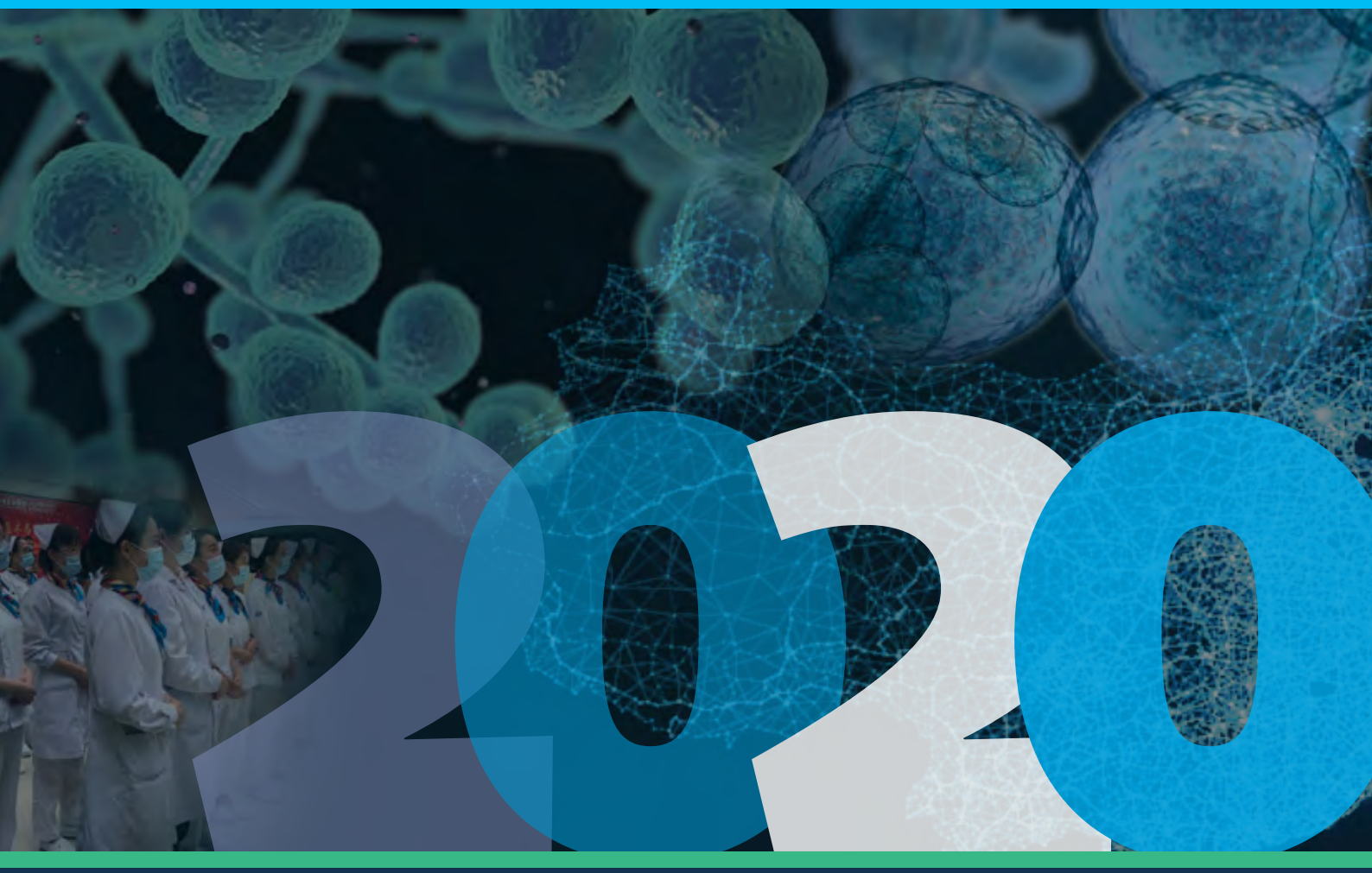
BioDiem

BioDiem Ltd | ABN 20 096 845 993



Annual Report 30 June 2020

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 commercialized through 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 marketed in India. Changchun BCHT Biotechnology Co (BCHT)'s, Defluvac, is marketed in China. BioDiem has assigned its antimicrobial technology, BDM-I, to its subsidiary, Opal Biosciences Ltd. Opal is focused on the development of treatments for antibiotic-resistant and hard-to-treat 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

"10 year effort on flu vaccine shows progress but pandemic influenza remains a global threat"

World Health Organisation

Reference: http://www.who.int/influenza_vaccines_plan/news/gap3_Nov16/en/

www.cdc.gov/flu/pdf/freeresources/seasonal-flu-vs-pandemic-flu-update.pdf

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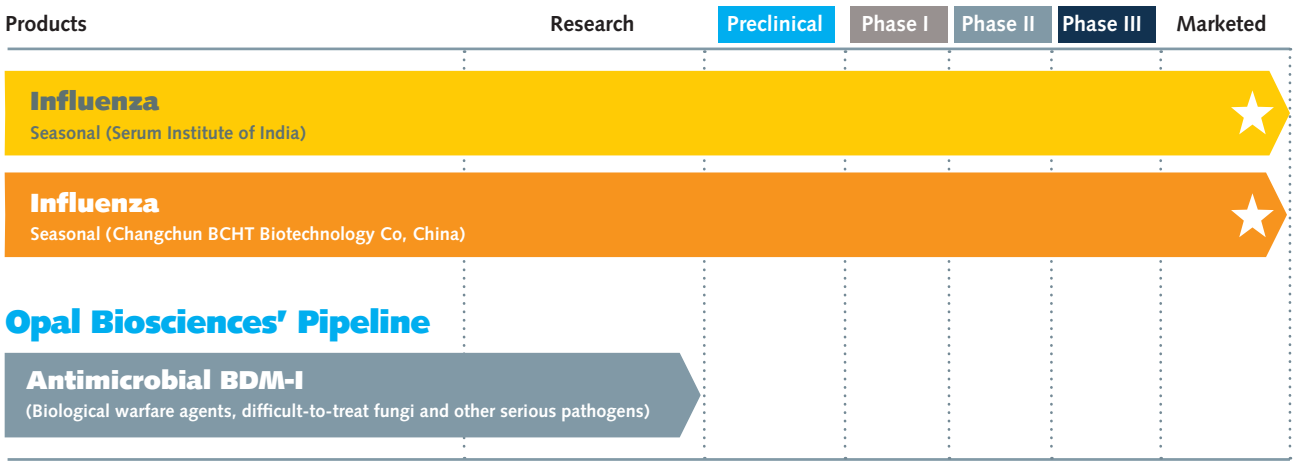
BioDiem Pipeline



Opal Biosciences' Pipeline

Antimicrobial BDM-I
(Biological warfare agents, difficult-to-treat fungi and other serious pathogens)

"This is the first needle-free, intranasal and homebred influenza vaccine launched in China. I hope that with its effectiveness and acceptability, the vaccine will help prevent more people getting influenza infection giving them a healthier life, especially under the current circumstance of the COVID-19 pandemic."

Dr. Kong Wei
CEO of Changchun BCHT Biotechnology Co., China

Chairman's letter

Fellow Shareholders,

This year has seen a significant milestone reached by our company with the approval and launch of our Chinese licencee's 'flu vaccine product, Defluvac, in China.

Our income in this report for the FY20 financial year has not reflected the benefit of this to us, with the launch and sales of Defluvac commencing subsequent to the financial year end. Our licence agreement with Changchun BCHT Biotechnology Co (BCHT) provides for a minimum annual licence payment to us which is triggered by the first sale of their product. The first new payment will flow through to us in early 2021. The terms of the annual fees are commercial-in-confidence.

Shareholders would remember the convertible preference share (CPS) issue that we conducted in 2016 raising $1.149m. I intended that to be our last capital raising, and through our very careful management of cash since then, we retain that expectation.

In India, our licencee, Serum Institute of India, turned its manufacturing focus to a number of different COVID-19 vaccines. Disappointingly, interest in influenza vaccination in India to date has been very low and sales poor. Internationally however the COVID-19 pandemic has sparked renewed enthusiasm for 'flu vaccination. We anticipate better sales and export potential in the coming year from India.

During the financial year BioDiem's subsidiary, Opal Biosciences raised $455,500 from the exercise of 20c options which were issued as part of a $606,000 placement in 2018. These funds were used to progress important studies to help profile BDM-I's potential as a treatment. This report's Review of Operations contains more details. Opal's research costs have been reduced due to the support received from international agencies which is often without cost. BioDiem remains Opal's largest shareholder currently standing at 63.3% and we share our administration costs with Opal.

Opal's year has not been without difficulties including development hurdles with BDM-I, however we are confident in the knowledge that there is a large unmet medical need for new antimicrobials which needs to be addressed. We note the ranking of "antimicrobial resistance" as a priority target area of Australia's $20 billion Medical Research Future Fund (MRFF), and the recent formation of the Australia's first Antimicrobial Research Network (AAMRNet), of which we are a part. The AAMRNet aims to bring together key stakeholders to address the impact of antimicrobial resistance on human health. The Opal board is considering an expansion of its antimicrobial portfolio to reduce the risk on any one program. Following this assessment there will be more news for shareholders.

Our news of the second commercial launch of the LAIV 'flu vaccine is very welcome. Our sincere thanks go to fellow director Professor Larisa Rudenko who has been essential in this success, and also to BioDiem shareholders whose support has made this possible. My thanks also go to director Professor Arthur Li. I would also like to acknowledge our CEO's tireless and enthusiastic work for which the Board is on behalf of itself and shareholders very appreciative.

I look forward to informing you of our further progress.

Yours faithfully,

Hugh Morgan
Chairman

BioDiem

CEO's letter

Launch of LAIV Flu vaccine in China

Fellow Shareholders,

Amidst the difficulties of the last nine months, the successful approval and launch in China of Changchun BCHT Biotechnology Co's (BCHT's) flu vaccine, Defluvac, has been the highlight of the year. The first sales trigger royalties to BioDiem with a higher minimum annual payment.

BCHT's launch function in August in Zhengzhou received some good coverage in the Chinese media. In May 2020, BCHT's parent company Changchun High and New Technology Industries (Group) Inc. announced they would list BCHT on the Shanghai Stock Exchange Science and Technology Innovation (STAR) Board. Besides our LAIV vaccine, BCHT manufactures and sells a range of human vaccines. They reported significant revenue growth this year.

The COVID-19 pandemic has focussed attention on vaccines in particular and the complexities of their manufacture. Both our LAIV licencees are developing COVID-19 vaccines. BioDiem shareholders are well aware of the risks in development of vaccines, and we are fortunate that our technology, the live attenuated influenza virus (LAIV) technology, is proven.

The LAIV vaccine technology platform originated from the Institute of Experimental Medicine in St Petersburg, Russia. The career-long dedication to the development of this needle-free vaccine by Prof Larisa Rudenko and her Russian team was recognised in a special feature in The Lancet, *Infectious Diseases* in June 2020[1]. It highlights their work in not just seasonal 'flu but also pandemic 'flu vaccines, and it has gained support from many international public health agencies. Prof Rudenko is a director of BioDiem Ltd and she and her team of scientists have worked tirelessly to assist the vaccine development teams of our licencees in India and China. They continue to support them through providing the LAIV vaccine strains needed to meet the World Health Organisation (WHO) recommendations for each season.

Sales in India continue to be slow and the development of Serum Institute's new vaccine product has been delayed by the current pandemic. The new vaccine product is anticipated to be more acceptable to the market.

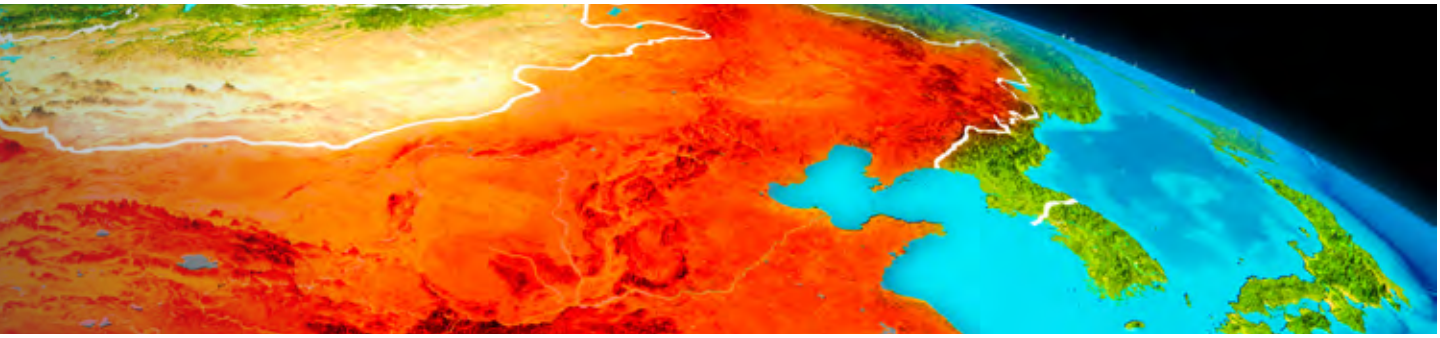
BioDiem's subsidiary, Opal Biosciences had raised $455,500 by the end of February 2020 and just before the global COVID-19 pandemic was declared by the WHO. Opal operates as a virtual company anyway, and so there was little impact on its corporate and administration activities, however its operations are outsourced to local and global research groups. Travel and freight have been severely affected and continue to be so.

Notwithstanding this, Opal has added important information about concentrations of antimicrobial BDM-I that can be achieved in the bloodstream after giving BDM-I by different means e.g. by mouth versus different types of injection. Through protein binding work, we also understand better the comparability of what is seen in mouse studies compared to what might be relevant in human studies.

The need for new antimicrobials, whether to treat bacteria or fungi has not diminished, and in fact, the COVID pandemic has emphasized the consequences of secondary infections in patients who have COVID-19 and the life-saving properties of antibiotics. The pandemic has also highlighted gaps in Australia's capabilities in manufacturing including vaccines and some essential drugs; and supply chain weaknesses.

While Opal's data package for BDM-I has grown the company is broadening its outlook. BDM-I continues with solubility challenges which affect what formulations and dosages can be administered in studies. Many avenues with the basic drug compound, BDM-I have been explored. In a new approach to address this, Opal is working with chemists at the CSIRO Manufacturing facility in Victoria who have successfully synthesized four new molecules based on BDM-I which might overcome this problem. The next step is to check that these analogues have retained the antimicrobial effect seen with BDM-I. Opal plans to do that through its involvement in the new ARC Antimicrobial Research Hub to Combat Antimicrobial Resistance. The Hub forms part of the federal government-funded Industrial Transformation Research Hubs initiative and is led from NSW-based Kirby Institute, a leading global research institute dedicated to the prevention and treatment of infectious diseases. The Hub will offer access to screening services for *Neisseria gonorrhoea* strains. This microorgansim causes gonorrhoea, a significant infection problem worldwide.

[1] https://www.thelancet.com/journals/laninf/article/PIIS1473-3099(20)30391-1/fulltext



Another challenge this year has been to identify and access an animal model of infection which is likely to show the benefit of BDM-I in an infection. It needs to be a validated model, that is, one which has shown that its results would be reliable. Opal is considering commissioning the development of a *Candida glabrata* model, unless one can be found. These data would be necessary to access significant grant funding.

During late 2019 I was able to visit Boston for an international antimicrobial conference and meet many of the international colleagues from industry, government, public agencies and academia with whom Opal has been working. I left the conference with a view that the commercial attractiveness of antifungals exceeds that of antibiotics. Antibiotics target bacteria rather than fungi. During the year Opal became aware of a novel technology which would be a significant breakthrough in antifungal drug development. Opal is currently in discussion with this Australian group of high profile researchers to assess the value of the opportunity to bring this technology into Opal. Shareholders will receive more information about this in the coming weeks and this was behind the decision to defer the expiry of a set of Opal 25c options from 2 October 2019 to 5 February 2020.

In closing I extend special thanks to the BioDiem and Opal board members for their involvement this year in operations, project review and for their continued enthusiasm. Thank you also to fellow BioDiem and Opal shareholders for your continued support. I hope you and your families are safe during this time, and I look forward to advising you of progress within our companies.

Yours faithfully,

Julie Phillips
CEO

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 $122,617. 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, advised the approval and subsequent launch of its LAIV vaccine, Defluvac, in China by the Chinese National Medical Products Administration (NMPA) and the subsequent launch BioDiem will gain higher payment from this milestone and also royalties on sales of BCHT's LAIV vaccine in the private sector in China.

BCHT is BioDiem's licencee for the LAIV flu vaccine technology in China. BCHT held special functions to celebrate the market launch and first vaccination using its new "Influenza Vaccine, Live, Nasal, Freeze-dried product, Defluvac, in August 2020. The ceremony took place in Zhengzhou, the capital of Henan Province in the middle of China. BCHT's intranasal seasonal flu (trivalent freeze-dried) vaccine is based on the World Health Organization's recommendations for the 2020-2021 'flu season. BCHT gained marketing approval for its LAIV vaccine from the Chinese National Medical Products Administration (formerly known as the Chinese FDA) in February 2020. It is the first needle-free, intranasal and Chinese-manufactured influenza vaccine launched in China. BCHT has a distributor network which covers all provinces and municipalities in mainland China, except Tibet. BioDiem will receive royalties from the sale of BCHT's influenza vaccine product in the China private sector market with a minimum annual payment.

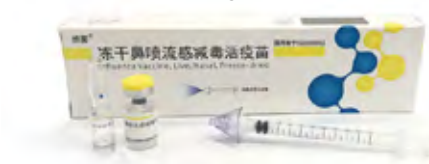
China-based BCHT holds an exclusive licence from BioDiem for the influenza technology based on the live attenuated influenza virus (LAIV) vaccine technology. BCHT's licence covers the private sector market of China for pandemic and seasonal influenza vaccines made using an egg-based production method. BCHT holds a complementary licence to the LAIV for the public market in China via a sublicence from the World Health Organisation.

Changchun BCHT Biotechnology Co (BCHT) is a subsidiary of Changchun High and New Technology Industries (Group) Inc, which is listed on the main board of the Shenzhen Stock Exchange. The parent company announced in May 2020 that it would spin off its subsidiary and list it on the Shanghai STAR Market, which is officially known as the Shanghai Stock Exchange Science and Technology Innovation Board.

According to the announcement, Changchun High and New Technology Industries will still hold a controlling stake in BCHT after the spin-off. BCHT will continue primarily to engage in developing, manufacturing and providing human-use vaccines. Its primary revenue growth in the first half of 2020 came from the post-pandemic increase in the demand for the chickenpox vaccine.

Influenza technology

China-based BCHT holds an exclusive licence from BioDiem for the influenza technology based on the live attenuated influenza virus (LAIV) vaccine technology.



LAIV flu vaccine

The LAIV flu vaccine technology platform originates from the Institute of Experimental Medicine in St Petersburg, Russia. The career-long dedication to the development of this needle-free vaccine by BioDiem director, Prof Larisa Rudenko and her Russian team were recognised in a special feature in The Lancet, Infectious Diseases in June 2020. It highlights their work in not just seasonal flu but also pandemic flu vaccines, and has gained support from many international public health agencies.

BioDiem subsidiary: Opal Biosciences Ltd ("Opal")

Opal Biosciences is a preclinical stage Australian biotechnology company and an innovative player in infectious disease treatment. The unmet need for new anti-infectives is due to increasing resistance to existing antibiotics, more common difficult-to-treat infections, and few new treatments. Opal was formed in May 2015 as a subsidiary of BioDiem Ltd.

The main activities during the year were the continued development of antimicrobial, BDM-I, and the exploration of projects to expand the Opal portfolio.

Significant developments during the past year include:

- Single dose mouse study in mice of antimicrobial agent BDM-I comparing routes of administration and showing no adverse effects. This study was funded by the US National Institute of Health, NIAID Branch.
- Subsequent to year end, an additional mouse study providing information from a wide range of dosages of BDM-I (including repeat dosing) showing no adverse effects.
- Protein binding studies showing comparability of mouse and human blood results.
- Membrane lysis studies showing no adverse effect on human red blood cells.
- Additional *in vitro* (lab bench) testing of BDM-I against fungal pathogens confirming activity.
- Water soluble derivatives of BDM-I under preparation by CSIRO.
- Partnering in successful Australian Research Council (ARC) Research Hub to Combat Antimicrobial Resistance as part of the Industrial Transformation Research Hubs initiative.
- Review of a number of new projects for potential acquisition which are focussed on development of antifungal drugs: an area of high unmet need and commercial attractiveness. Subsequent to year end, Opal has explored the potential acquisition of new antifungal projects to expand its portfolio. The projects target fungal diseases where new treatments and where there are few competitors. More information will be provided as these opportunities are explored further.

Antimicrobial BDM-I

During the year, advances were made in the understanding of the blood levels and adverse effects that might be seen with BDM-I given at different dosages and by different routes of administration.

In the previous year a MTD (maximum tolerated dose) mouse study compared BDM-I given by injection and given by mouth, i.e. orally. The study found that all dose levels tested (3 intravenous, and 3 oral dosages) were tolerated well by the mice.

Tolerability and pharmacokinetic study (mouse)

Following the results of this study conducted in Taiwan by Eurofins Panlabs, 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. We received the results of this study in Aug 2019. As previously advised, the study compared the concentrations of BDM-I obtained in the blood (of a mouse) after a single dose given by three different routes of administration i.e. orally, intraperitoneally and intravenously.

The results showed that Opal's antimicrobial, BDM-I, given by injection can achieve BDM-I total blood concentrations 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 may need to use higher dose levels. For the purposes of Opal's development program, the information from the injectable form was sufficient for the next stage of work. To shed more light on the potential adverse effects of BDM-I we conducted additional laboratory bench studies.

Red blood cell lysis assay:

Haemolysis, or breaking down (lysis) of red blood cells, is undesirable if significant.

This study compared the effect of a range of concentrations of BDM-I (0.003 – 1.6 milligram/mL) on human red blood cells and showed weak membrane lysis (1.9-4.7%). This compared favourably to the high membrane lysis seen by the control, the antifungal agent, amphotericin B (>50%) at concentrations of 0.0125 – 6.4 milligram/mL).

Protein binding assay:

Most early stage work is done in mouse experiments and the relevance to what might be expected in human experimentation is assisted by a comparison of the extent of binding of drug to plasma proteins in the blood. Typically, drugs which bind to plasma proteins are less accessible to be active in tissues.

In November 2019 Eurofins (US) performed a protein binding study which showed human binding at ~93.09% compared to mouse binding at 94.12%.

The significance of these results is that mouse and human binding is similar so that results in mice studies can be compared to human without impact of a difference in protein binding.

Single vs repeat dose study (mouse)

The next step was to prepare for an *in vivo* proof-of-concept study in an animal model to demonstrate cure. The choice of dosage of BDM-I to use was also a key question to answer: there would need to be a balance between achieving high enough blood levels of BDM-I to kill an infection and avoiding toxicity. Typically the animal infection models use neutropenic mice, that is, mice that are unable to fight infections using there own white blood cells, and so are weaker than non-neutropenic mice.

A study was conducted by Eurofins Taiwan whereby BDM-I was tested in vitro against a range of fungal pathogens. Although BDM-I was most active against *Candida glabrata*, there is not a validated in vivo model available for testing for BDM-I efficacy for proof-of-concept. A neutropenic mouse study was conducted using a strain of Candida albicans (R303) using a wide range of BDM-I dosages, including repeat dosages to explore potential toxicity. This was the first tine BDM-I had been given to neutropenic mice and in repeat dosages and no toxicity shown. The information collected from this study can be used to prepare a protocol for a proof of concept study when the appropriate model identified. This study has provided information about blood concentrations of BDM-I which can be achieved after repeat dosing at different dose levels over a 24 hour period, and where toxicity was not seen.

BDM-I Next steps

One of the historical difficulties in the development of BDM-I has been to find a service which offers a validated animal model of infection using an infection strain that is sensitive to BDM-I.

***In vivo* testing**

The next step is to test BDM-I in a validated mouse model of infection using an infection strain that is sensitive to BDM-I at the blood levels which can be achieved. Due to the limited validated models accessible to Opal, we are reviewing the commissioned development of a suitable model e.g. in *Candida glabrata*.

Additional programs:

Glycosylated derivatives of BDM-I

In common with many another antimicrobial agents, BDM-I has solubility problems. To address this, glycosylated derivatives have been synthesized with the CSIRO Manufacturing Unit, Clayton, Victoria, utilising the financial assistance of the CSIRO Kickstart grant. The molecules were designed to retain the antimicrobial activity of BDM-I but be more water soluble and hence easier to formulate into drug products. Potentially these could also have better absorption and achieve higher serum concentrations. It is anticipated that these new molecules will be screened for activity against Neisseria gonorrhoea (see **ARC Research Hub** – right) and other pathogens in the coming months.

Topical BDM-I

The information gained form the *in vivo* studies of BDM-I will also assist development of topical forms of BDM-I. BDM-I's action on biofilms will form part of a study to be undertaken under associate Professor Slade Jensen at the Ingham Research Institute, Western Sydney University.

Intellectual property strengthening

The *Method of Treating Scedosporium Infections* patent has now been granted in the US, UK, France, Germany, Hong Kong and Australia. The *"Treatment of staphylococcal and enterococcal infections using substituted nitrostyrene compounds"* has entered National phase.

Australian Research Council (ARC) Research Hub to Combat Antimicrobial Resistance

In August 2019 Opal announced its participation in the successful ARC Research Hub to Combat Antimicrobial Resistance announced by the Hon. Dan Tehan MP, Federal Minister for Education. As part of its Industrial Transformation Research Hubs initiative, the ARC awarded this Hub almost $5 million.

Combatting antimicrobial resistance (AMR) is recognised as a priority of Australia's $20 billion Medical Research Future Fund (MRFF). The Hub will focus on sexually transmitted microorganisms, a critical area of concern in Australia and globally, as an example of the wider problem of antimicrobial resistance.

Opal will benefit from this research-industry collaboration through accessing further expertise to understand the scope of efficacy of our lead compound BDM-I in particular as a potential therapeutic for the sexually-transmitted infection, gonorrhoea and inform our progress towards clinical trials.

The ARC Research Hub to Combat Antimicrobial Resistance is a collaboration between the following organisations: *Australian universities:* UNSW Sydney (Kirby Institute, Centre for Social Research in Health), University of Queensland, Monash University, UTS and University of Melbourne

Industry and *partner organisations:* SpeeDx Pty Ltd, Cepheid, Recce Pharmaceuticals Ltd, Opal Biosciences Ltd, Boulos and Cooper Pharmaceuticals Pty Ltd, The Global Antibiotic Research & Development Partnership (GARDP), The Foundation for Innovative New Diagnostics (FIND), the Central and Eastern Sydney PHN , and NPS MedicineWise. Other collaborating organisations include Murdoch Children's Research Institute, WHO Collaborating Centre for Sexually Transmitted Infections and Antimicrobial Resistance, Melbourne Sexual Health Clinic, Western Sydney Sexual Health Centre, Sydney Sexual Health Centre, Papua New Guinea Institute of Medical Research, and Thai Red Cross AIDS Research Centre.

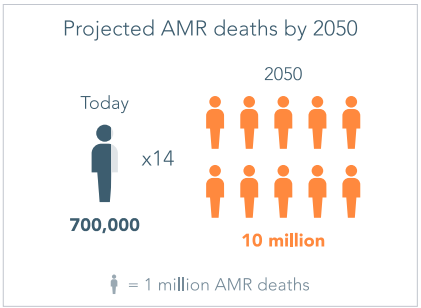
The Threat of AMR

AMR undermines every aspect of modern medicine

We rely on the availability of effective antibiotics to be able to do everything from wisdom tooth extractions to organ transplantation to cancer chemotherapy.

Superbugs could set medicine back to the 19th century, before the discovery of penicillin, when simple infections could kill.

https://amractionfund.com/amr-innovation-challenge/#page-section-0



International Profiling

In December 2018 Opal had announced 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.

In October 2019, Opal participated in the concluding side event for the CDC "AMR Challenge" at the 2019 United Nations General Assembly in New York (https://www.youtube.com/watch?v=RSs58PxR85Y). The AMR Challenge was an effort to accelerate the fight against antimicrobial resistance across the globe and a way for governments, private industries, and non-governmental organizations worldwide to make formal commitments that further the progress against antimicrobial resistance.

In October 2019, the joint American Society of Microbiology (ASM) and European Society of Clinical Microbiology and Infectious Diseases (ESCMID) conference was held in Boston, USA. This brought together experts in the antimicrobial research field from around the world. One of the highlights was the discussion around commercial incentives and international public agency and grant assistance which is increasingly available in the antimicrobial resistance area. Also the increasing importance of finding new antifungals and their relative commercial attractiveness is apparent. BDM-I has shown activity against a range of fungal pathogens including *Candida glabrata, Candida auris and Candida albicans.*

Financial Report

Directors' report

30 June 2020

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 2020.

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 $497,283 (30 June 2019: $346,956).

Royalty and milestone revenues in 2020 were $122,617 compared to $132,369 in 2019, while interest income was $2,070 (2019: $3,557). The Group also received $nil as grant income in FY20 (2019: $50,000). Research and development costs were $231,263 (2019: $170,128). Administration expenses were $667,053 (2019: $587,402).

The consolidated entity commenced the financial year with cash reserves of $616,896. Cash inflows from its subsidiary Opal Biosciences Limited ("Opal") from the issue of 2,277,500 ordinary shares on exercise of options at $0.20 (20 cents) per share raised $455,500 compared to $252,750 raised in FY19. Cash outlays were $725,308 compared to $394,135 in the prior year for research and administration. Cash inflows were $127,810 from licensing fees and government grants (2019: $182,369 from licensing fees). Cash reserves at the end of the financial year total $370,732.

Coronavirus (COVID-19) pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is a significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Company has taken precautionary measures by temporarily closing the Company's office and having arranged for its employees to work remotely, as well as minimising non-critical activities and curtailing travel. At the date of this report, the impact of these measures is not expected to significantly impact the completion of the current work being undertaken. However, as the circumstances continue to evolve, there may be disruptions to the future work timelines if employees, consultants or their respective families are personally impacted by COVID-19 or if travel and other operational restrictions are not lifted.

Significant changes in the state of affairs

In August 2019 Opal, a subsidiary of the consolidated entity, announced the early exercise of 1,400,000 share options by Opal shareholders raising $280,000. In February 2020, Opal issued 877,500 shares on exercise of the remaining balance of options expiring on 1 February 2020 at an exercise prices of $0.20 (20 cents) per share raising another $175,500.

On 28 February 2020, Australian vaccine development company BioDiem Ltd announced the approval of Changchun BCHT Biotechnology Co (BCHT)'s LAIV vaccine in China by the Chinese National Medical Products Administration (NMPA), formerly known as the Chinese FDA.

BioDiem

Directors' report

30 June 2020

In June 2020, Opal issued 154,932 and 257,733 fully paid ordinary shares at various deemed issue prices per share in lieu of Directors fees to Peter Snowball and Ken Windle, respectively

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

On 25 August 2020, company announced the product launch of Changchun BCHT Biotechnology Co (BCHT)'s LAIV vaccine in China. This is a major milestone for BCHT and for BioDiem. BCHT is BioDiem's licencee for the LAIV flu vaccine technology in China.

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No other matter or circumstance has arisen since 30 June 2020 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.

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 was a Member of the Lafarge International Advisory Board; is 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

Directors' report

30 June 2020

Information on directors

Name, title, qualifications	Experience and expertise

Julie Phillips

BPharm, DHP, MSc, MBA.

Chief Executive Officer and Executive Director

MMs 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. Chairman of the Innovation and Science Australia's R&D Incentives Committee, until Feb 2020 was Chairman of AusBiotech Ltd, the peak biotechnology industry association in Australia, and is currently 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 L. Rudenko is a well-known expert in the field of developing the live influenza vaccines. Under her leadership, a new generation of live attenuated influenza vaccine (LAIV) has been developed, and the world's first LAIV was licensed in Russia in 1987 for human use. Over 40 years her research is focused on development of safe and immunogenic LAIVs and its continuous improvement using the most advanced molecular biology and gene-engineering approaches. The results of these developments are protected by 65 patents and copyright certificates and introduced in public health practice and in more than 350 scientific papers. Under the leadership of prof. L. Rudenko, a number LAIV candidates against mostly dangerous potentially pandemic H5N1, H2N2, H6N1, H7N3, H7N9, H9N2 influenza viruses have been generated and evaluated in pre-clinical and phase I clinical trials, and all these candidates were deposited in the National Collection of pandemic influenza vaccines. In addition, these pandemic LAIV candidates were deposited in the World Health Organization (WHO) repository and can be easily claimed by the production facilities located in developing countries in case the pandemic is declared. Prof. L.Rudenko has been a supervisor of 20 PhD students and three applicants for degree of Doctor of Sciences. She developed three new working program of academic disciplines for students and graduate students of the Faculty of Dentistry and Medical Technology at St. Petersburg State University. She coordinated a number of courses for specialists of biotechnology companies from India (Serum Institute of India), Thailand (Governmental Pharmaceutical Organization) and China (BCHT, Chanchung) on the development, production and licensing of Russian live attenuated influenza vaccine

Her contribution to medical science was recognized with several awards:

- The Order of Friendship for employment gains, significant contribution to social-economic development of Russian Federation, long-term honest work and public activities. The decree of the President of Russian Federation on awarding Government awards of the Russian Federation March 5, 2014 r. No 112.
- Honored Doctor of Research Institute of Experimental Medicine N.-W. Division of Russian Academy of Medical Sciences. (2012)
- Diploma of the Federal Service for Intellectual Property in the "100 best inventions of Russia" for the development of "The vaccine strain of influenza virus A/17/California/2009/38 (H1N1) for the production of live influenza intranasal vaccine for adults and children (patent of the Russian Federation No 2413765), 2010
- Award of Prince A.P.Oldenburgskiy (2009)
- Emeritus Scientist of Russian Federation. (2000)
- Professor L.Rudenko is currently leading the programs: Designing live influenza universal vaccine based on new gene-engineering and immunogenetics approaches.

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

BioDiem

Directors' report

30 June 2020

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

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

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 2020, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Hugh M Morgan	6	6	1	1
Julie Phillips	6	6	-	1
Larisa Rudenko	5	6	1	1
Arthur Kwok Cheung Li	5	6	1	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 2020

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 2020 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

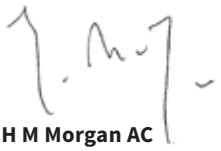
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

30 October 2020
Melbourne

BioDiem

Auditor's independence declaration

30 June 2020

Grant Thornton

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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 2020, 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, 30 October 2020

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	Consolidated 2020	Consolidated 2019
		$	$
Revenue	4	124,687	185,926
Other income	5	111,319	163,489
Expenses			
Licence fees and royalty expenses		(22,901)	(23,980)
Research and development expenses		(231,263)	(170,128)
Administration expenses		(667,053)	(587,402)
Loss before income tax expense	6	(685,211)	(432,095)
Income tax expense	7	-	-
Loss after income tax expense for the year		(685,211)	(432,095)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(685,211)	(432,095)
Loss for the year is attributable to:			
Non-controlling interest		(187,928)	(85,139)
Owners of BioDiem Limited		(497,283)	(346,956)
		(685,211)	(432,095)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		(187,928)	(85,139)
Owners of BioDiem Limited		(497,283)	(346,956)
		(685,211)	(432,095)

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

Statement of financial position

As at 30 June 2020

	Note	Consolidated 2020	Consolidated 2019
		$	$
Assets			
Current assets			
Cash and cash equivalents	8	370,732	616,896
Trade and other receivables	9	63,083	158,802
Other assets	10	420,460	204,314
Total current assets		854,275	980,012
Total assets		854,275	980,012
Liabilities			
Current liabilities			
Trade and other payables	11	191,016	198,849
Employee benefits	12	135,021	120,109
Total current liabilities		326,037	318,958
Total liabilities		326,037	318,958
Net assets		528,238	661,054
Equity			
Issued capital	13	32,168,532	32,168,532
Reserves	14	46,757	46,757
Accumulated losses		(32,770,496)	(32,273,213)
Deficiency in equity attributable to the owners of BioDiem Limited		(555,207)	(57,924)
Non-controlling interest	15	1,083,445	718,978
Total equity		528,238	661,054

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 2020

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

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Non–controlling interest $	Total equity $
Balance at 1 July 2019	32,168,532	46,757	(32,273,213)	718,978	661,054
Loss after income tax expense for the year	-	-	(497,283)	(187,928)	(685,211)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(497,283)	(187,928)	(685,211)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 16)	-	-	-	552,395	552,395
Balance at 30 June 2020	32,168,532	46,757	(32,770,496)	1,083,445	528,238

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 2020

	Note	Consolidated 2020	Consolidated 2019
		$	$
Cash flows from operating activities			
Cash receipts in course of operations		101,846	182,369
Cash payments in course of operations		(855,589)	(672,968)
		(753,743)	(490,599)
Interest received		2,471	935
Government grants received		25,964	-
R&D Tax Offset received		-	95,529
Net cash used in operating activities	25	(725,308)	(394,135)
Cash flows from investing activities			
Proceeds from term deposit		23,644	-
Net cash from investing activities		23,644	-
Cash flows from financing activities			
Proceeds from issue of shares of subsidiary		455,500	252,750
Net cash from financing activities		455,500	252,750
Net (decrease)/increase in cash and cash equivalents		(246,164)	(141,385)
Cash and cash equivalents at the beginning of the financial year		616,896	758,281
Cash and cash equivalents at the end of the financial year	8	370,732	616,896

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

Notes to the financial statements

30 June 2020

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 2020. 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 30 October 2020. 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 following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. There is no material effect on recognition or measurement as the Group is not involved in any lease agreements.

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 $685,211 (2019: $432,095 net loss after tax) for the financial year ended 30 June 2020. 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 $534,729 (30 June 2019: $661,054), including cash and cash equivalent assets of $370,732 (30 June 2019: $616,896), 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.
- 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.

Notes to the financial statements

- 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 $455,500 from exercise of options 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.
- 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.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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 2020 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.

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.

Notes to the financial statements

30 June 2020

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.

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.

Notes to the financial statements

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.

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 high quality corporate 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

Notes to the financial statements

30 June 2020

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.

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.

Notes to the financial statements

30 June 2020

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 4. Revenue

	Consolidated	
	2020	2019
	$	$
Royalty and milestone revenue	122,617	132,369
Grant income	-	50,000
	122,617	182,369
Other revenue		
Interest	2,070	3,557
Revenue	124,687	185,926

Note 5. Other income

	Consolidated	
	2020	2019
	$	$
Net foreign exchange gain	2,130	8,113
Research & Development Tax Concession	70,243	155,376
Government grant received - COVID incentive	38,946	-
Other income	111,319	163,489

Notes to the financial statements

30 June 2020

Note 6. Expenses

	Consolidated	
	2020	2019
	$	$
Loss before income tax includes the following specific expenses:		
Employee Benefits Expense		
Wages and salaries	229,797	222,831
Superannuation - defined contribution	24,534	20,531
Increase in annual leave provision	6,570	4,691
Increase in long service leave provision	2,361	6,431
Total	263,262	254,484

Note 7. Income tax expense

	Consolidated	
	2020	2019
	$	$
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(685,211)	(432,095)
Tax at the statutory tax rate of 27.5%	(188,433)	(118,826)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research & Development tax incentive - not assessable	(42,291)	(42,291)
Research & Development expenditure - not deductible	92,158	92,158
	(127,789)	(68,959)
Current year tax losses not recognised	118,466	94,491
Current year temporary differences not recognised	9,323	(25,532)
Income tax expense	-	-

Notes to the financial statements

30 June 2020

	Consolidated 2020	Consolidated 2019
	$	$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	31,051,011	30,620,225
Potential tax benefit @ 27.5%	8,539,028	8,420,562

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 8. Current assets – cash and cash equivalents

	Consolidated 2020	Consolidated 2019
	$	$
Cash at bank	370,732	616,896

Note 9. Current assets – trade and other receivables

	Consolidated 2020	Consolidated 2019
	$	$
Trade receivables	33,552	154,142
Accrued revenue	19,473	1,166
	53,025	154,142
Interest receivable	765	1,166
GST receivable	9,293	3,494
	63,083	158,802

Note 10. Current assets – other assets

	Consolidated 2020	Consolidated 2019
	$	$
Accrued revenue	213,844	-
Prepayments	104,330	78,384
Short term deposits supporting bank guarantees	102,286	125,930
	420,460	204,314

The company holds two short term deposits, one ($55,000) is a ten month term deposit maturing on 25 January 2021. The other ($47,286.24) is also a ten month term deposit, maturing on 23 July 2020. The term deposits are earning 1.75% and 1.40% per annum respectively.

Refer to note 16 for further information on financial instruments.

Notes to the financial statements

30 June 2020

Note 11. Current liabilities – trade and other payables

	Consolidated	
	2020	2019
	$	$
Trade payables	36,251	11,044
Other payables	154,765	187,805
	191,016	198,849

Refer to note 17 for further information on financial instruments.

Note 12. Current liabilities – employee benefits

	Consolidated	
	2020	2019
	$	$
Annual leave provision	82,919	74,138
Long service leave provision	52,102	45,971
	135,021	120,109

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	2019
	$	$
Long service leave	52,102	45,971

BioDiem

Notes to the financial statements

30 June 2020

Note 13. Equity – issued capital

	Consolidated			
	2020	2019	2020	2019
	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 2019 Annual Report.

Note 14. Equity – reserves

	Consolidated	
	2020	2019
	$	$
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 2020

Note 15. Equity – non-controlling interest

	Consolidated	
	2019	2018
Issued capital	1,514,152	961,757
Accumulated losses	(430,707)	(242,779)
	1,083,445	718,978

Details	Date	Shares	Issue Price	$
Opening Balance	01/07/2018	16,045,012	$0.25	1,209,012
Issue of shares- to external investors	18/12/2018	1,011,000	$0.25	252,750
Exercise of options	30/09/2019	1,400,000	$0.20	280,000
Exercise of options	01/02/2020	877,500	$0.20	175,500
Issue of shares - to directors	30/06/2020	125,537	$0.20	25,109
Issue of shares - to directors	30/06/2020	287,128	$0.25	71,786
Closing Balance as 30 June 2020		19,746,177		2,014,157

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

Note 16. Equity - dividends

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

Note 17. 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 2020

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 - 2020	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	184,525	-	-	-	184,525
Total non-derivatives		184,525	-	-	-	184,525

	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

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 ten months amounting to $55,000 and $47,286 respectively totalling $102,286 (2019: $125,930) in support of its undertakings under a guarantee for $55,000 on account of the Group's credit cards.

Note 18. 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	
	2020	2019
	$	$
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	45,000	45,000

Notes to the financial statements

30 June 2020

Note 19. 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	
	2020	2019
	$	$
Bank guarantees	13,750	13,750

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

Note 20. Commitments

There are no commitments for 2020 (2019: Nil).

Note 21. Related party transactions

Parent entity

BioDiem Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	$	$
Key management personnel compensation:		
Short-term employee benefits	229,797	222,831
Post-employee benefits	24,534	20,531

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 $22,901 (2019: $23,980) to the Institute.

Since February 2018, Opal Biosciences Limited entered into a service agreement to pay $22,786 (per month) as operation and management fee to the parent entity, Biodiem Limited. This was reassessed and updated in March 2020 to $19,438 (per month).

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 2020

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	$	$
Loss after income tax	(151,360)	(111,026)
Total comprehensive income	(151,360)	(111,026)

Statement of financial position

	Parent	
	2019	2019
	$	$
Total current assets	879,663	997,731
Total assets	879,663	997,731
Total current liabilities	280,093	244,302
Total liabilities	280,093	244,302
Equity		
Issued capital	32,168,533	32,168,532
Share-based payments reserve	46,757	46,757
Accumulated losses	(31,615,720)	(31,461,860)
Total equity	599,570	753,429

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 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019, 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 2020

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

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 23. 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	2020	2019
Name		%	%
Savine Therapeutics Pty Ltd	Australia	100.00%	100.00%
Opal Biosciences Limited*	Australia	63.30%	73.29%

During the financial year, Opal issued 2,277,500 ordinary shares from exercise of options at $0.20 per option raising $455,500. In June 2020, Opal also issued 154,932 and 257,733 fully paid ordinary shares at various deemed issue prices per share in lieu of Directors fees to Peter Snowball and Ken Windle, respectively.

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 24. Events after the reporting period

On 25 August 2020,company announced the product launch of Changchun BCHT Biotechnology Co (BCHT)'s LAIV vaccine in China. This is a major milestone for BCHT and for BioDiem. BCHT is BioDiem's licencee for the LAIV flu vaccine technology in China.

Coronavirus (COVID-19) pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is a significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Company has taken precautionary measures by temporarily closing the Company's office and having arranged for its employees to work remotely, as well as minimising non-critical activities and curtailing travel. At the date of this report, the impact of these measures is not expected to significantly impact the completion of the current work being undertaken. However, as the circumstances continue to evolve, there may be disruptions to the future work timelines if employees, consultants or their respective families are personally impacted by COVID-19 or if travel and other operational restrictions are not lifted.

No other matter or circumstance has arisen since 30 June 2020 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.

Notes to the financial statements

30 June 2020

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2019
	$	$
Loss after income tax expense for the year	(685,211)	(432,095)
Adjustments for:		
Share-based payments	54,794	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(112,325)	(141,343)
Increase in prepayments	(25,947)	(27,256)
Increase in other current assets	-	81,694
Increase in trade and other payables	28,469	113,743
Increase in employee benefits	14,912	11,122
Net cash used in operating activities	(394,135)	(394,135)

Note 26. 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 2020 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.

Notes to the financial statements

30 June 2020

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

2020							
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

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
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:

		2020	2019
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

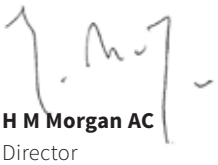
30 June 2020

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 2020 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

30 October 2020
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 2020, 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 2020 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 (including Independence Standards)* (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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $685,211 during the year ended 30 June 2020, and has a cash balance of $370,732 as of that date. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of BioDiem Limited

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 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 October 2020

Corporate directory

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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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