

BioDiem Limited

ABN 20 096 845 993

Half-year Financial Report - 31 December 2017

BioDiem Limited
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31 December 2017

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BioDiem Limited
Corporate directory
31 December 2017

Directors	Mr Hugh M Morgan AC (Chairman, Non-Executive Director) Ms Julie Phillips (Chief Executive Officer) Prof Larisa Rudenko (Non-Executive Director) Prof Arthur Kwok Cheung Li (Non-Executive Director)
Share Registry	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford Victoria 3067 Telephone: + 61 3 9415 5000 Investor Queries (within Australia): 1300 850 505
Company secretary	Melanie Leydin
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 Ph: +61 3 9692 7240
Principal place of business	Level 4 100 Albert Road South Melbourne VIC 3205 Ph: +61 3 9692 7240
Auditor	Grant Thornton Audit Pty Ltd Tower 1, Collins Square 727 Collins Street Melbourne VIC 3008
Website	www.biodiem.com

BioDiem Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') 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 half-year ended 31 December 2017.

Directors

The following persons were directors of BioDiem Limited during the whole of the financial half-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 half-year the principal continuing activities of the Group consisted of:

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

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to \$141,719 (31 December 2016: \$434,248).

Revenue from licensing activities for the half year was \$119,397 compared to \$15,039 in 2016, whilst interest income was \$2,682 compared to \$6,657 in 2016. Research activity costs were \$62,977 compared to \$207,985 in 2016. Administration expenses were \$217,641 as compared to \$269,831 in 2016.

The Group had cash reserves at 31 December 2017 of \$560,598 (30 June 2017: \$475,871). Cash outlays for research and administration were \$242,266 (31 December 2016: \$573,198). Cash inflows were \$119,397 from royalties and licensing agreements (31 December 2016: \$15,039). Cash received from Research and Development Tax Offset in the current period was \$205,621 (31 December 2016: nil).

Significant changes in the state of affairs

On 20 November 2017 the Company received shareholder approval in relation to the completion of the Company's assignment of the BDM-I technology to Opal Biosciences Ltd by the acceptance of 2,500,000 fully paid ordinary shares in Opal Biosciences Ltd in lieu of \$500,000 cash consideration.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

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.

BioDiem Limited
Directors' report
31 December 2017

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



H M Morgan AC
Director

6 April 2018
Melbourne

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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 review of BioDiem Limited for the half-year ended 31 December 2017, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 6 April 2018

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BioDiem Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

		Consolidated	
	Note	31 December 2017	31 December 2016
		\$	\$
Revenue	3	122,079	21,696
Other income		37,047	41,866
Expenses			
Licence fees and royalty expenses		(20,000)	(20,000)
Research and development expenses		(62,977)	(207,985)
Administration expenses		(217,641)	(269,831)
Loss before income tax expense		(141,492)	(434,254)
Income tax expense		-	-
Loss after income tax expense for the half-year		(141,492)	(434,254)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>(141,492)</u>	<u>(434,254)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		227	(6)
Owners of BioDiem Limited		(141,719)	(434,248)
		<u>(141,492)</u>	<u>(434,254)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		227	(6)
Owners of BioDiem Limited		(141,719)	(434,248)
		<u>(141,492)</u>	<u>(434,254)</u>

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

BioDiem Limited
Statement of financial position
As at 31 December 2017

	Consolidated		
	31 December	30 June 2017	
Note	2017	2017	
	\$	\$	
Assets			
Current assets			
Cash and cash equivalents	560,598	475,871	
Trade and other receivables	12,760	23,975	
Other	174,039	380,542	
Total current assets	<u>747,397</u>	<u>880,388</u>	
Total assets	<u>747,397</u>	<u>880,388</u>	
Liabilities			
Current liabilities			
Trade and other payables	51,531	50,928	
Employee benefits	49,247	43,277	
Total current liabilities	<u>100,778</u>	<u>94,205</u>	
Non-current liabilities			
Employee benefits	29,873	27,945	
Total non-current liabilities	<u>29,873</u>	<u>27,945</u>	
Total liabilities	<u>130,651</u>	<u>122,150</u>	
Net assets	<u>616,746</u>	<u>758,238</u>	
Equity			
Issued capital	4	32,168,532	32,168,532
Reserves		46,757	46,757
Accumulated losses		(31,700,557)	(31,558,838)
Equity attributable to the owners of BioDiem Limited		514,732	656,451
Non-controlling interest		102,014	101,787
Total equity		<u>616,746</u>	<u>758,238</u>

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

BioDiem Limited
Statement of changes in equity
For the half-year ended 31 December 2017

Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2016	31,019,592	46,757	(31,071,443)	101,796	96,702
Loss after income tax expense for the half-year	-	-	(434,248)	(6)	(434,254)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(434,248)	(6)	(434,254)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	1,148,940	-	-	-	1,148,940
Balance at 31 December 2016	<u>32,168,532</u>	<u>46,757</u>	<u>(31,505,691)</u>	<u>101,790</u>	<u>811,388</u>
Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2017	32,168,532	46,757	(31,558,838)	101,787	758,238
Profit/(loss) after income tax expense for the half-year	-	-	(141,719)	227	(141,492)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the half- year	-	-	(141,719)	227	(141,492)
Balance at 31 December 2017	<u>32,168,532</u>	<u>46,757</u>	<u>(31,700,557)</u>	<u>102,014</u>	<u>616,746</u>

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

BioDiem Limited
Statement of cash flows
For the half-year ended 31 December 2017

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
Cash flows from operating activities		
Cash receipts in course of operations	119,397	15,039
Cash payments in course of operations	(242,266)	(573,198)
Interest received	1,975	5,550
R&D Tax Offset received	205,621	-
	<u>84,727</u>	<u>(552,609)</u>
Net cash from/(used in) operating activities		
Cash flows from investing activities		
Net cash from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares	<u>-</u>	<u>948,940</u>
Net cash from financing activities	<u>-</u>	<u>948,940</u>
Net increase in cash and cash equivalents	84,727	396,331
Cash and cash equivalents at the beginning of the financial half-year	<u>475,871</u>	<u>259,540</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>560,598</u></u>	<u><u>655,871</u></u>

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

BioDiem Limited
Notes to the financial statements
31 December 2017

Note 1. General information

The financial statements cover BioDiem Limited as a Group consisting of BioDiem Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is BioDiem Limited's functional and presentation currency.

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 Group'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 6 April 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

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 \$141,492 (2016: \$434,254 net loss after tax) for the half-year ended 31 December 2017. 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 \$646,619 (30 June 2017: \$786,183), including cash and cash equivalent assets of \$560,598 (30 June 2017: \$475,871), and the expectation of Group's ongoing ability to successfully secure additional sources of financing. In this regard, the Directors note the following:

BioDiem Limited
Notes to the financial statements
31 December 2017

Note 2. Significant accounting policies (continued)

- 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 BCHO Biotechnology Co., where the vaccine subject to the LAIV licensing agreement is currently under development. 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. Clinical trials in China have continued during the reporting period.
- The Group includes a subsidiary company. Subsequent to 31 December 2017, the Group's subsidiary Company, Opal Biosciences Limited, completed a placement of 3,030,000 new fully paid ordinary shares at an issue price of \$0.20 (20 cents) per share raising \$606,000. The Group is also currently considering other alternative sources of cash inflows from financing initiatives. BioDiem also completed the assignment of the BDM-I technology to Opal Biosciences Ltd via the issue of 2,500,000 fully paid ordinary shares in Opal to BioDiem in lieu of \$500,000 cash consideration during the half-year ended 31 December 2017.
- 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 financial statements is appropriate.

Whilst the directors are confident in the Group's ability to continue as a going concern, in the event the commercial opportunities and potential sources of financing described above do not eventuate as planned, there is uncertainty as to whether the Group will be able to generate sufficient net operating cash inflows or execute alternative funding arrangements to enable it to continue as a going concern.

Consequently, material uncertainty exists as to whether the Group will continue as a going concern and it may therefore be required to realise assets, extinguish liabilities at amounts different to those recorded in the statement of financial position and settle liabilities other than in the ordinary course of business.

Note 3. Revenue

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
Royalty and milestone revenue	119,397	15,039
<i>Other revenue</i>		
Interest	2,682	6,657
Revenue	<u>122,079</u>	<u>21,696</u>

Note 4. Equity - issued capital

	Consolidated			
	31 December	30 June 2017	31 December	30 June 2017
	2017	2017	2017	2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	174,734,060	174,734,060	32,168,532	32,168,532
Convertible Preference shares - fully paid	14,392,433	14,392,433	-	-
	<u>189,126,493</u>	<u>189,126,493</u>	<u>32,168,532</u>	<u>32,168,532</u>

Note 4. Equity - issued capital (continued)

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.

Note 5. Equity - dividends

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

Note 6. 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).

On 20 November 2017 the Company received shareholder approval in relation to the completion of the Company's assignment of the BDM-I technology to Opal Biosciences Ltd by the acceptance of 2,500,000 fully paid ordinary shares in Opal Biosciences Ltd in lieu of \$500,000 cash consideration.

Note 7. Commitments

The company currently occupies office premises with an rental agreement in place that enables cancellation with two months' notice.

Note 8. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2 of the 31 December 2017 half-year financial report:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2017 %	30 June 2017 %
Savine Therapeutics Pty Ltd	Australia	100.00%	100.00%
Opal Biosciences Limited	Australia	96.04%	95.10%

As at 31 December 2017 the assignment of the BDM-I technology has taken place following shareholder approval at the Company's Annual General Meeting held on 20 November 2017 whereby Opal Biosciences Limited issued 2,500,000 fully paid ordinary shares to the Company in lieu of \$500,000 cash consideration for completion of the assignment of the technology.

BioDiem Limited
Directors' declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial half-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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



H M Morgan AC
Director

6 April 2018
Melbourne

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Independent Auditor's Review Report To the Members of BioDiem Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of BioDiem Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of BioDiem Limited does not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Company incurred a net loss of \$141,492 during the half year ended 31 December 2017. 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 Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BioDiem Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 6 April 2018