

BioDiem Limited

ABN 20 096 845 993

Half-year Financial Report - 31 December 2018

BioDiem Limited
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31 December 2018

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BioDiem Limited
Corporate directory
31 December 2018

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 5, Collins Square 727 Collins Street Melbourne VIC 3008
Website	www.biodiem.com

BioDiem Limited
Directors' report
31 December 2018

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 2018.

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 \$125,331 (31 December 2017: \$141,719).

Revenue from licensing activities for the half year was \$121,031 compared to \$119,397 in 2017, whilst interest income was \$2,000 compared to \$2,682 in 2017. Research activity costs were \$114,028 compared to \$62,977 in 2017. Administration expenses were \$267,753 as compared to \$217,641 in 2017.

The Group had cash reserves at 31 December 2018 of \$833,730 (30 June 2018: \$758,281). Cash outlays for supplier and employees were \$335,302 (31 December 2017: \$242,266). Cash inflows were \$121,933 from royalties and licensing agreements (31 December 2017: \$119,397). Cash received from government grants in the current period was \$27,500 (31 December 2017: \$205,621).

Significant changes in the state of affairs

There were no 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.

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

15 March 2019
Melbourne

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 2018, 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, 15 March 2019

BioDiem Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

		Consolidated	
	Note	31 December 2018	31 December 2017
		\$	\$
Revenue	3	121,031	119,397
Other income		114,155	37,047
Interest revenue calculated using the effective interest method		2,000	2,682
Expenses			
Licence fees and royalty expenses		(20,000)	(20,000)
Research and development expenses		(114,028)	(62,977)
Administration expenses		(267,753)	(217,641)
Loss before income tax expense		(164,595)	(141,492)
Income tax expense		-	-
Loss after income tax expense for the half-year		(164,595)	(141,492)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>(164,595)</u>	<u>(141,492)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		(39,264)	227
Owners of BioDiem Limited		(125,331)	(141,719)
		<u>(164,595)</u>	<u>(141,492)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(39,264)	227
Owners of BioDiem Limited		(125,331)	(141,719)
		<u>(164,595)</u>	<u>(141,492)</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 2018

		Consolidated	
	Note	31 December	30 June 2018
		2018	2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		833,730	758,281
Trade and other receivables		16,714	17,459
Other assets		287,710	258,752
Total current assets		<u>1,138,154</u>	<u>1,034,492</u>
Total assets		<u>1,138,154</u>	<u>1,034,492</u>
Liabilities			
Current liabilities			
Trade and other payables		90,841	85,106
Employee benefits		118,759	108,987
Total current liabilities		<u>209,600</u>	<u>194,093</u>
Total liabilities		<u>209,600</u>	<u>194,093</u>
Net assets		<u>928,554</u>	<u>840,399</u>
Equity			
Issued capital	4	32,168,532	32,168,532
Reserves		46,757	46,757
Accumulated losses		(32,051,581)	(31,926,257)
Equity attributable to the owners of BioDiem Limited		163,708	289,032
Non-controlling interest		764,846	551,367
Total equity		<u>928,554</u>	<u>840,399</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 2018

	Issued Capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Consolidated					
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>
Consolidated					
Balance at 1 July 2018	32,168,532	46,757	(31,926,257)	551,367	840,399
Loss after income tax expense for the half-year	-	-	(125,331)	(39,264)	(164,595)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(125,331)	(39,264)	(164,595)
Shares issued by subsidiary to non-controlling interest	-	-	-	252,750	252,750
Balance at 31 December 2018	<u>32,168,532</u>	<u>46,757</u>	<u>(32,051,588)</u>	<u>764,853</u>	<u>928,554</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 2018

	Consolidated	
	31 December	31 December
	2018	2017
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	121,933	119,397
Payments to suppliers and employees (inclusive of GST)	(335,302)	(242,266)
Interest received	2,000	1,975
Government grants received	27,500	205,621
	<u> </u>	<u> </u>
Net cash from/(used in) operating activities	<u>(183,869)</u>	<u>84,727</u>
Cash flows from investing activities		
Net cash from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares of subsidiary	252,750	-
Net cash from financing activities	<u>252,750</u>	<u>-</u>
Net increase in cash and cash equivalents	68,881	84,727
Cash and cash equivalents at the beginning of the financial half-year	758,281	475,871
Effects of exchange rate changes on cash and cash equivalents	6,568	-
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial half-year	<u><u>833,730</u></u>	<u><u>560,598</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 2018

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 15 March 2019. 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 2018 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 2018.

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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Note 2. Significant accounting policies (continued)

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

AASB 9 Financial Instruments

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

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

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

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

Going concern

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

The Group reported a net loss after tax of \$164,595 (December 2017: \$141,492 net loss after tax) for the half-year ended 31 December 2018. 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 \$928,554 (30 June 2018: \$840,399), including cash and cash equivalent assets of \$833,730 (30 June 2018: \$758,281), and the expectation of Group's ongoing ability to successfully secure additional sources of financing. In this regard, the Directors note the following:

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 were completed during the reporting period.
- The Group includes a subsidiary company, Opal Biosciences Limited. During the half year ended 31 December 2018, Opal Biosciences Limited, completed a placement of 1,011,000 new fully paid ordinary shares at an issue price of \$0.25 (25 cents) per share raising \$252,750. The Group is also currently considering other alternative sources of cash inflows from financing initiatives.
- 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 2018	31 December 2017
	\$	\$
Royalty and milestone revenue	<u>121,031</u>	<u>119,397</u>

Note 4. Equity - issued capital

	Consolidated			
	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	174,734,060	174,734,060	31,019,592	31,019,592
Convertible Preference shares - fully paid	<u>14,392,433</u>	<u>14,392,433</u>	<u>1,148,940</u>	<u>1,148,940</u>
	<u>189,126,493</u>	<u>189,126,493</u>	<u>32,168,532</u>	<u>32,168,532</u>

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.

BioDiem Limited
Notes to the financial statements
31 December 2018

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).

Note 7. 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 2018 half-year financial report:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2018 %	30 June 2018 %
Savine Therapeutics Pty Ltd	Australia	100.00%	100.00%
Opal Biosciences Limited	Australia	73.29%	77.91%

During the period ended 31 December 2018 Opal Biosciences, a subsidiary of BioDiem, issued 1,011,000 at \$0.25 (25 cents), raising \$252,750.

BioDiem Limited
Directors' declaration
31 December 2018

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 2018 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

15 March 2019
Melbourne

Independent Auditor's Review Report

To the Members of Biodiem Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Biodiem Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2018, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed 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 Group as at 31 December 2018, 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*.

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.

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 Group's financial position as at 31 December 2018 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, 15 March 2019