

BioDiem Limited

ABN 20 096 845 993

Half-year Financial Report - 31 December 2020

BioDiem Limited
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31 December 2020

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BioDiem Limited
Corporate directory
31 December 2020

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 2020

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 2020.

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 profit for the Group after providing for income tax and non-controlling interest amounted to \$35,887 (31 December 2019: loss of \$169,284).

Royalty and milestone revenue for half year December 2020 was \$323,243 compared to \$122,617 in December 2019, while interest income was \$697 (2019: \$1,192). Research and development costs were \$29,933 (2019: \$75,481). Administration expenses were \$340,889 (2019: 299,577).

The Group had cash reserves at 31 December 2020 of \$261,872 (30 June 2020: \$370,732). Cash outlays for supplier and employees were \$304,605 (31 December 2019: \$534,297). Cash inflows were \$45,920 from royalties and licensing agreements (31 December 2019: \$252,090).

Significant changes in the state of affairs

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 licensee for the LAIV flu vaccine technology in China.

BioDiem's subsidiary, Opal Biosciences Ltd (Opal), commenced discussions to acquire a revenue-generating pharmaceutical development business and negotiations are well advanced. In parallel Opal has prepared and will undertake a capital raising to support investment in the growth of the new business. Opal is currently seeking to diversify its focus by considering commercial opportunities, such as this acquisition, within the Australian biotechnology and pharmaceutical industry. The capital raising will reduce BioDiem's percentage ownership of Opal.

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.

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

BioDiem Limited
Directors' report
31 December 2020

Matters subsequent to the end of the financial half-year

Subsequent to the half-year ended 31 December 2020, the Opal Biosciences Limited Board commenced a strategic review to consider opportunities in pharmaceutical manufacturing.

No other matter or circumstance has arisen since 31 December 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.

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

31 March 2021
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 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 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, 31 March 2021

BioDiem Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated December 2020 \$	December 2019 \$
Revenue	3	328,243	122,617
Other income		76,560	45,726
Interest		697	1,192
Total revenue		<u>405,500</u>	<u>169,535</u>
Expenses			
Licence fees and royalty expenses		(56,826)	(22,000)
Research and development expenses		(29,933)	(75,481)
Administration expenses		(340,889)	(299,577)
Total expenses		<u>(427,648)</u>	<u>(397,058)</u>
Loss before income tax expense		(22,148)	(227,523)
Income tax expense		-	-
Loss after income tax expense for the half-year		(22,148)	(227,523)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>(22,148)</u>	<u>(227,523)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		(58,035)	(58,239)
Owners of BioDiem Limited		35,887	(169,284)
		<u>(22,148)</u>	<u>(227,523)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(58,035)	(58,239)
Owners of BioDiem Limited		35,887	(169,284)
		<u>(22,148)</u>	<u>(227,523)</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 2020

		Consolidated	
	Note	December 2020 \$	June 2020 \$
Assets			
Current assets			
Cash and cash equivalents		261,872	370,732
Trade and other receivables		27,027	63,083
Other assets	4	553,253	420,460
Total current assets		<u>842,152</u>	<u>854,275</u>
Total assets		<u>842,152</u>	<u>854,275</u>
Liabilities			
Current liabilities			
Trade and other payables		190,923	191,016
Employee benefits		144,139	135,021
Total current liabilities		<u>335,062</u>	<u>326,037</u>
Total liabilities		<u>335,062</u>	<u>326,037</u>
Net assets		<u>507,090</u>	<u>528,238</u>
Equity			
Issued capital	5	32,168,532	32,168,532
Reserves		46,757	46,757
Accumulated losses		(32,734,609)	(32,770,496)
Deficiency in equity attributable to the owners of BioDiem Limited		(519,320)	(555,207)
Non-controlling interest		1,026,410	1,083,445
Total equity		<u>507,090</u>	<u>528,238</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 2020

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 half-year	-	-	(169,284)	(58,239)	(227,523)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(169,284)	(58,239)	(227,523)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	-	-	-	280,000	280,000
Balance at 31 December 2019	<u>32,168,532</u>	<u>46,757</u>	<u>(32,442,497)</u>	<u>940,739</u>	<u>713,531</u>
Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2020	32,168,532	46,757	(32,770,496)	1,083,445	528,238
Profit/(loss) after income tax expense for the half-year	-	-	35,887	(58,035)	(22,148)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the half- year	-	-	35,887	(58,035)	(22,148)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 5)	-	-	-	1,000	1,000
Balance at 31 December 2020	<u>32,168,532</u>	<u>46,757</u>	<u>(32,734,609)</u>	<u>1,026,410</u>	<u>507,090</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 2020

	Consolidated	
	December 2020	December 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	45,920	252,090
Payments to suppliers and employees (inclusive of GST)	<u>(307,000)</u>	<u>(534,297)</u>
	(261,080)	(282,207)
Interest received	2	1,857
COVID -19 Government grants received	51,928	27,500
R&D Tax Offset Received	107,126	-
Other income	<u>2,500</u>	<u>-</u>
Net cash used in operating activities	<u>(99,524)</u>	<u>(252,850)</u>
Net cash from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares of subsidiary	<u>1,000</u>	<u>280,000</u>
Net cash from financing activities	<u>1,000</u>	<u>280,000</u>
Net increase/(decrease) in cash and cash equivalents	(98,524)	27,150
Cash and cash equivalents at the beginning of the financial half-year	370,732	616,885
Effects of exchange rate changes on cash and cash equivalents	<u>(10,336)</u>	<u>2,552</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>261,872</u></u>	<u><u>646,587</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 2020

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 31 March 2021. 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 2020 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 2020.

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.

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 \$22,148 (December 2019: \$227,523 net loss after tax) for the half-year ended 31 December 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 \$507,090 (30 June 2020: \$528,238), including cash and cash equivalent assets of \$261,872 (30 June 2020: \$370,732), 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 in India.

- The Group has a licensing agreement with the Changchun BCHT Biotechnology Co. (BCHT), which entitles the Group to annual milestone payments and royalty income upon sales of LAIV influenza vaccine in China where it was launched in 2020. A milestone payment of USD \$210,542 was received in Feb 2021.
- The Group includes a subsidiary company, Opal Biosciences which received \$111,144 as an R&D tax refund in Feb 2021. On 22 Oct 2020, 4,000 options were exercised at \$0.25 (25 cents) raising \$1,000. Opal is also preparing a capital raising to complete an acquisition of a revenue-generating pharmaceutical manufacturing business.
- 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.

During the period, the subsidiary company commenced discussions to acquire a revenue-generating pharmaceutical development business and negotiations are well advanced. In parallel the subsidiary company has prepared and will undertake a capital raising to support investment in the growth of the new business. The subsidiary company is currently seeking to diversify its focus by considering commercial opportunities, such as this acquisition, within the Australian biotechnology and pharmaceutical industry.

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	
	December 2020	December 2019
	\$	\$
Royalty and milestone revenue	323,243	122,617
Grant income	5,000	-
Revenue	<u>328,243</u>	<u>122,617</u>

Note 4. Other assets

	Consolidated	
	December 2020	June 2020
	\$	\$
<i>Current assets</i>		
Accrued revenue	428,660	213,844
Prepayments	21,755	104,330
Other current assets	102,838	102,286
	<u>553,253</u>	<u>420,460</u>

BioDiem Limited
Notes to the financial statements
31 December 2020

Note 5. Issued Capital

	December 2020 Shares	Consolidated June 2020 Shares	December 2020 \$	June 2020 \$
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
	<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.

Note 6. Dividends

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

Note 7. 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).

BioDiem Limited
Notes to the financial statements
31 December 2020

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 2020 half-year financial report:

Name	Principal place of business / Country of incorporation	Ownership interest	
		December 2020 %	June 2020 %
Savine Therapeutics Pty Ltd	Australia	100.00%	100.00%
Opal Biosciences Limited	Australia	63.29%	63.30%

During the half year, Opal issued 1,000 ordinary shares from exercise of 4,000 options at \$0.25 per option raising \$1,000. 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 9. Events after the reporting period

Subsequent to the half-year ended 31 December 2020, the Opal Biosciences Limited Board commenced a strategic review in which it may consider opportunities in pharmaceutical manufacturing.

No other matter or circumstance has arisen since 31 December 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.

BioDiem Limited
Directors' declaration
31 December 2020

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 2020 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

31 March 2021
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 statement of profit or loss and other comprehensive income, statement of financial position as at 31 December 2020, statement of changes in equity and 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, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of BioDiem Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the BioDiem Limited financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group reported a net loss after tax of \$22,148 during the half year ended 31 December 2020. As stated in Note 2, this events or condition, 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 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.

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 2020 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*.

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 31 March 2021