opal Biosciences

Opal Biosciences Limited | ABN 97 605 631 963

ANNUAL REPORT 2017

Hard-to-treat infections that used to be rare are now more common.

Because of advances in medical management of cancers, HIV, cystic fibrosis and organ transplants, as examples, there is a larger pool of people with weakened immune systems or having had intensive antibiotic treatment who can be susceptible to the unusual infections such as invasive fungal infections.

Bacteria methicillin-resistant *Staphylococcus aureus* MRSA, multidrug resistant bacteria, on mucous membrane

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Cover image:
Bacteria Neisseria gonorrhoeae

Highlights of 2017:

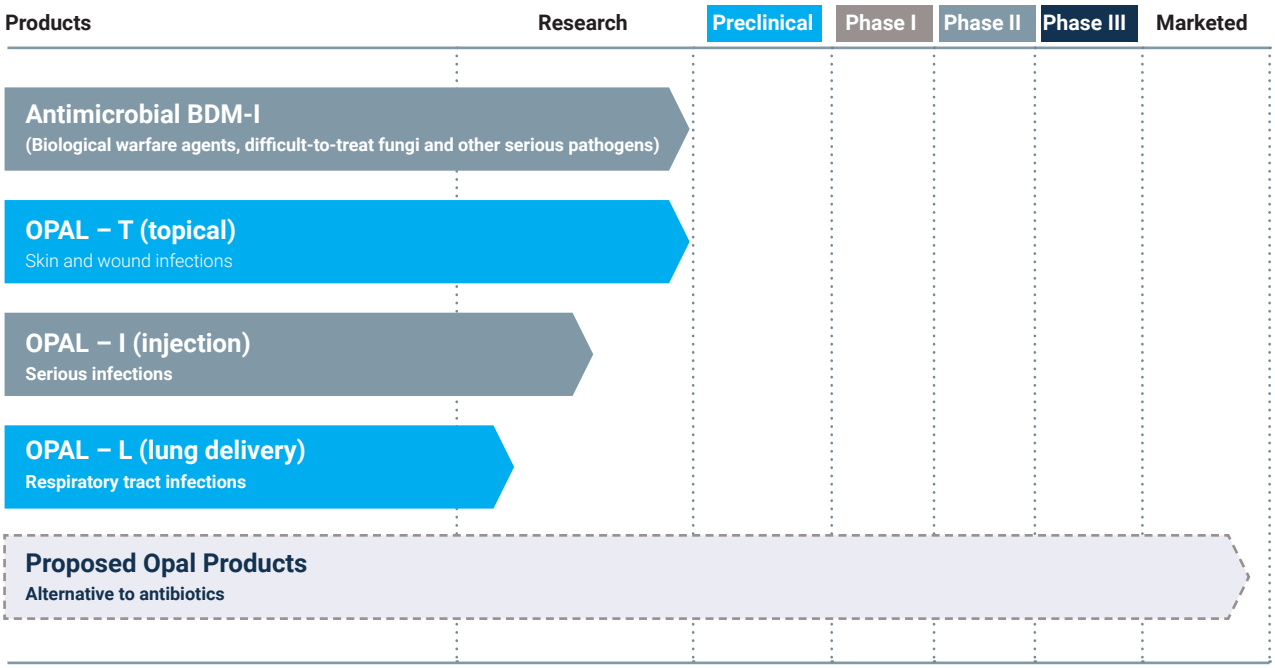
Corporate

- Successful capital raising in parent company BioDiem Ltd of $1.149m through a nonrenounceable entitlement offer of convertible preference shares.

Antimicrobial BDM-I: Opal Biosciences Ltd

- ***In vitro*** activity of Opal-T shown against bacterial strains of an antibiotic-resistant ***Staphylococcus aureus,*** and ***Neisseria gonorrhoeae***; bacteria responsible for causing serious infections and the sexually transmitted infection, gonorrhoea.
- Identification of new product opportunities for effective antimicrobial products as alternatives for antibiotics. Doctors are being encouraged to reduce antibiotic prescription but alternatives are few. A capital raising into Opal Biosciences is planned to support this new business.
- PhD candidate Michael Radzieta presented a poster at the ASM/ESCMID Conference on "Drug Development to Meet the Challenge of Antimicrobial Resistance" in Boston, MA, USA on the 6-8 September 2017. Under the supervision of Associate Professor Slade Jensen, Western Sydney University, PhD candidate Michael Radzieta continued studies to understand how BDM-I kills bacteria.
- Based on the discoveries made in the Western Sydney University research a new patent was filed in August 2017 entitled ***"BDM-I Therapy"***.
- The ARC Linkage funded study at Griffith University under the supervision of Professor Yaoqi Zhou and Dr Joe Tiralongo is designed to investigate potential fungal and other protein targets of BDM-I. This work has commenced and early screening work has already identified targets to be explored further.
- Preparation of revised and new development plans for Opal-I and Opal-L, respectively.

Opal Biosciences' Pipeline



Opal's proposed new product portfolio (concept design only)

Chairman's Letter

Dear Shareholders,

We commenced the year with a successful capital raising in parent company BioDiem Ltd securing $1.15m from the issue of convertible preference shares (CPS) through a nonrenounceable entitlement issue.

This capital raising was used to exploit BioDiem's flu vaccine technology while also progressing the development of Opal's antimicrobial technology.

Our BDM-I anti-infective program being conducted in Opal Biosciences, has made pleasing progress. Based on the research undertaken at Western Sydney University we have just lodged a new patent and the research was presented in September this year in Boston at the American Society of Microbiology meeting whose theme was antimicrobial resistance.

The most exciting work during the year involved a topical formulation of BDM-I (Opal-T) which could be used to treat infections of the skin or mucous membranes. BDM-I is a difficult molecule to work with. We know that the molecule itself can kill many different bacteria and fungi, but we knew we would have to show that this activity would be maintained when BDM-I was mixed in with other ingredients in a product. Formulytica Pty Ltd, an expert formulation company in Melbourne, in its first round of work, was able to present us with three prototype gels and ointments that could be tested.

In May this year the three prototypes and matching placebos were tested in the lab to see if they were active against two different bacteria: Golden Staph, and the one responsible for causing gonorrhoea. Both of these bacteria are a source of growing concern worldwide because of resistance to antibiotics. Our good news was that antimicrobial activity was shown for all prototype formulations. As the next step and to keep costs down we chose only one of the prototype gel formulations to test in an animal model of Staph, using a very resistant and aggressive strain. While the gel worked, it did not work well enough in this model.

To pursue this work in Staph and gonorrhoea as well as continue the injection and lung delivery forms of BDM-I Opal will undertake a capital raising. The Information Memorandum is under preparation for release shortly and will seek to raise $1.5m from sophisticated and professional investors. Opal will also seek to develop a new portfolio of revenue-generating anti-infective products to exploit the need for alternatives to antibiotics which is poorly served. This prospect is very exciting for us, and at the AGM you will be asked to approve the issue of Opal shares to BioDiem in lieu of cash for the completion of the transaction for the BDM-I technology moving into Opal Biosciences.

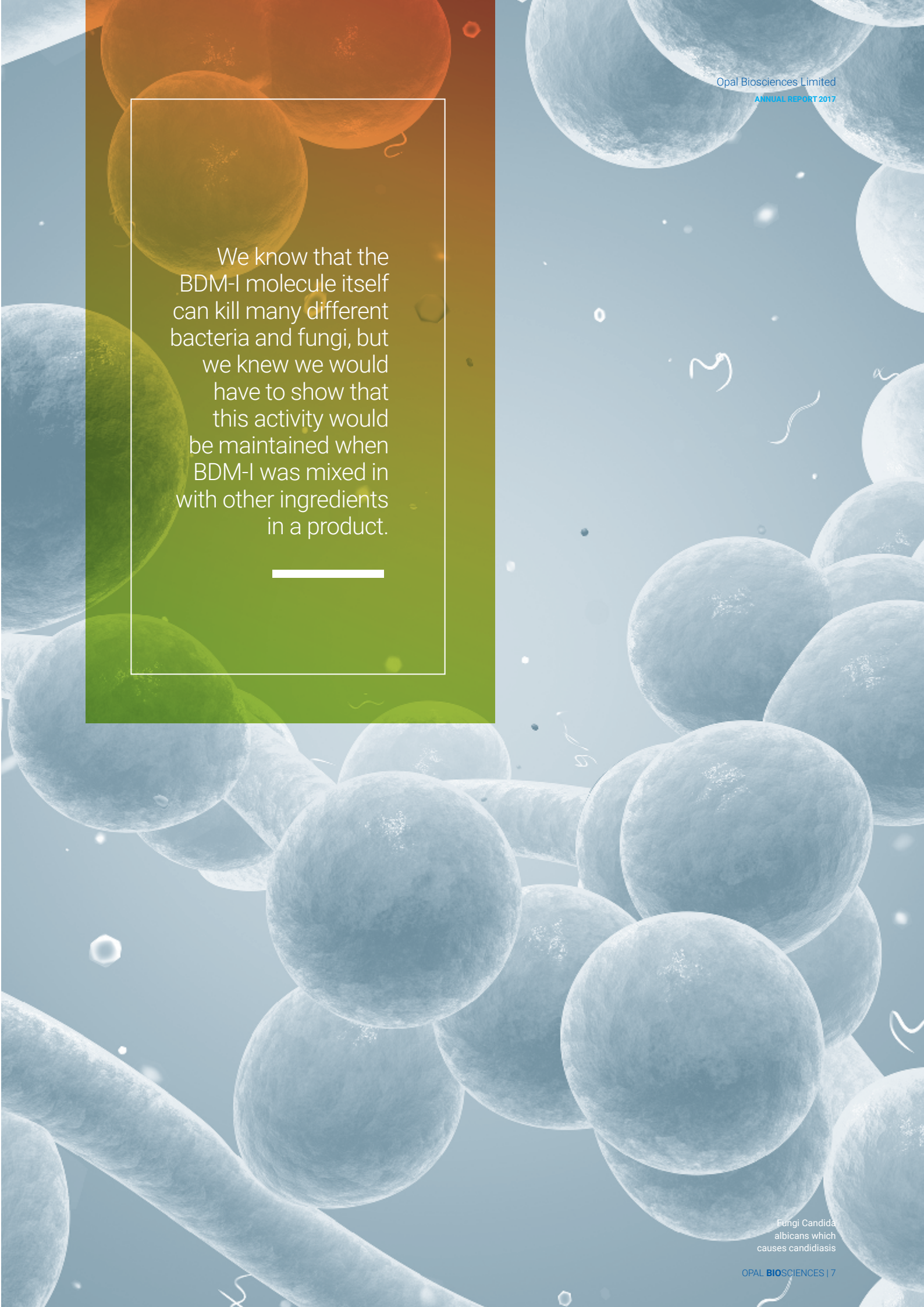
Opal Biosciences will be become independent of BioDiem following its successful capital raising and its plan to development its existing and new products is a very exciting prospect.

Thank you for your ongoing support and we will keep you informed of our progress.

Yours faithfully,

Hugh Morgan
Chairman

We know that the BDM-I molecule itself can kill many different bacteria and fungi, but we knew we would have to show that this activity would be maintained when BDM-I was mixed in with other ingredients in a product.



Fungi Candida albicans which causes candidiasis

Highlights of 2016-2017

Aug 2016

Successful capital raising of $1.149m in BioDiem

Nov 2016

The ARC Linkage funded study at Griffith University designed to investigate potential fungal and other protein targets of BDM-I

2016 -2017

Preparation of revised and new development plans for Opal-I and Opal-L, respectively

May 2017

In vitro activity of Opal-T shown against bacterial strains of an antibiotic-resistant Staphylococcus aureus and Neisseria gonorrhoeae

Aug 2017

Western Sydney University research a new patent entitled "BDM-I Therapy"

Sep 2017

Presentation on BDM-I at ASM/ESCMID Conference in Boston on "Drug Development to Meet the Challenge of Antimicrobial Resistance" Michael Radzieta continued studies to understand how BDM-I kills bacteria

Managing Director Letter

Fellow Shareholders,

During the reporting period we have made solid progress in Opal Biosciences and our antimicrobial program.

Firstly on the basis of research on the mechanism of action of BDM-I conducted under the supervision of Associate Professor Slade Jensen at Western Sydney University, a new patent has been filed. Following this, PhD candidate Michael Radzieta presented his BDM-I research at the combined American Society of Microbiology and European Society of Clinical Microbiology and Infectious Diseases meeting in Boston this year. This prestigious conference was themed "Drug Development to Meet the Challenge of Antimicrobial Resistance". The mechanism of action work continues at Western Sydney University and another project has commenced at Griffith University under an ARC Linkage grant.

To make best use of our funds during the year we focused on the development of the topical product program, Opal-T, with the assistance of formulation company, Formulytica Pty Ltd. We were able to put three prototype formulations into ***in vitro*** testing to check that BDM-I would retain its antimicrobial effect when in these vehicle formulations. We were very pleased that all three of these first prototypes showed antimicrobial activity against an antibiotic-resistant ***Staph. aureus*** strain and also a ***Neisseria gonorrhea*** strain. The next stage of testing in an animal model is more expensive and so we chose only one prototype formulation to take into a ***Staph aureus in vivo*** infection model. While the prototype showed activity it was not sufficiently active for us to claim success with this formulation in this infection model. We will repeat the testing in a less aggressive model, with different infectious targets and using different prototype formulations. Following this we can progress to the additional testing needed to conduct human trials.

The news about antimicrobial resistance and new superbugs continues in the media. The market for antimicrobials is growing and there are too few new treatments coming through. Among other international agency and government responses to the growing threat of superbugs, doctors are being urged to reduce their prescribing of antibiotics where possible or choose alternatives.

Alternatives to antibiotics are few, with poor information about quality of products, their effectiveness and best use. We have a plan to develop an antimicrobial product line which will address this need, and exploit this opportunity given our expertise in the area.

Opal Biosciences will undertake a capital raising of $1.5m to manufacture this new product line which is expected to be revenue-generating in the Australian market with the first 2-3 years. The products will be under an Opal umbrella label and will complement the development of novel treatments, Opal-I, Opal-T and Opal-L, for injection, topical and lung delivery, respectively.

I would like to thank fellow shareholders and the board for their support throughout the year, and in particular, previous staff for their important contribution to Opal Biosciences.

Please do not hesitate to contact me should you have any questions about your company;
and please follow us by joining our email list, via our website (www.opalbiosciences.com) and twitter (@opalbiosciences).

Yours sincerely,

Julie Phillips
CEO

Review of Operations

Antimicrobial BDM-I: Opal Biosciences Ltd ("Opal")

Opal's preclinical-stage antimicrobial compound BDM-I is being developed and commercialised to target the treatment of infections, and antibiotic-resistant serious human infections including 'superbugs'. The formation of Opal Biosciences Ltd in May 2015 as a subsidiary of BioDiem Ltd, was undertaken to permit external investment in the commercialisation of BDM-I while allowing BioDiem shareholders to retain benefit from successful commercialisation.

Significant developments during the past year include:

Opal-T development: Demonstration of BDM-I activity *in vitro* in a topical formulation

Many studies of BDM-I over years in different laboratories have shown that the active ingredient BDM-I, is active against many microorganisms which can cause serious human infections including strains of ***Staphylococcus aureus*** (wound infections and others) and ***Neisseria gonorrhoeae*** (gonorrhea). However it could not be assumed that BDM-I mixed into an ointment, gel or cream would retain its antimicrobial activity, so a testing program was started.

***In vitro* activity shown against *Staphylococcus aureus* and *Neisseria gonorrhoeae*.**

- Commencement of a topical formulation program for BDM-I (Opal-T) in partnership with Formulytica Pty Ltd, a specialist topical formulation company based in Melbourne
    - Three prototype formulations passed 3 months stability testing
        - These three prototypes were tested in laboratory experiments (*in vitro*) under placebo-controlled conditions in a validated study against a strain of methicillin-resistant ***Staph aureus***, a multidrug resistant (MDR) bacteria which is responsible for community-associated Golden Staph infections e.g. skin infections, and which is also resistant to many other commonly used antibiotics including mupirocin, quinolones, macrolides and all classes of beta-lactam antibiotics. It has emerged as an epidemic strain which causes rapidly progressive and fatal diseases a strain of ***Neisseria gonorrhoeae*** which is responsible for causing the sexually transmitted infection, gonorrhea.
    - **The results of this testing showed**
        - All three prototype formulations were more active against the ***Staph aureus*** strain than their matching placebos
        - The anhydrous gel prototype formulation was most active of all protoypes tested against the strain of ***Neisseria gonorrhoeae***.

In vivo testing – proof of concept

The next step is to conduct testing in animal models of infectious disease.

- The anhydrous gel prototype formulation was tested in a pilot study against the same virulent resistant strain of ***Staph aureus*** in an ***in vivo*** model. While the gel did show antimicrobial activity it was deemed not sufficient to proceed with this prototype formulation against this virulent strain of Staph aureus. Opal Biosciences will raise further capital to progress this work including against other microorganisms, and with other prototype formulations.

Other significant developments

Mechanism of action against bacteria – Ingham Institute for Applied Medical Research, Western Sydney University:

- Under the supervision of Associate Professor Slade Jensen, PhD candidate Michael Radzieta continued studies to understand how BDM-I kills bacteria.
- Mr Radzieta's research arises from the collaboration between BioDiem and Western Sydney University's Antibiotic Resistance and Mobile Elements Group (ARMEG) led by Associate Professor Slade Jensen and located at the Ingham Institute for Applied Medical Research and Western Sydney University. This research focuses on BDM-I's activity against hospital pathogens such as MRSA (methicillin-resistant ***Staphylococcus aureus*** or "Golden Staph") and other superbugs. Results to date indicate that BDM-I's cellular target is novel and therefore BDM-I represents a next-generation anti-infective.
- PhD candidate Michael Radzieta presented a poster at the prestigious ASM/ESCMID Conference on "***Drug Development to Meet the Challenge of Antimicrobial Resistance***" in Boston, MA, USA on the 6-8 September 2017.
- Based on the discoveries made in this research a new patent was filed in August 2017 entitled ***"BDM-I Therapy"***.

Mechanism of action investigation – Griffith University

The ARC Linkage grant-funded study at Griffith University under the supervision of Professor Yaoqi Zhou and Dr Joe Tiralongo is designed to investigate potential fungal and other protein targets of BDM-I. This work has commenced and early screening work has already identified targets to be explored further.

Opal-I (injectable) formulation

Following the formulation development work conducted by an overseas specialist company to develop a suitable intravenous injection, the development plan for Opal-I has been reviewed. The next stage of work will involve optimization of the formulation to achieve the highest concentration in solution, and then tolerability testing, prior to efficacy testing.

Opal-L (lung delivery) formulation

Following the early stage research studies for lung delivery of BDM-I and input from infectious disease and lung delivery experts, a development plan for Opal-L has been prepared.

Opal's Development and Commercialisation Plan

Opal was formed to develop and commercialise the BDM-I technology which targets the treatment of infections, primarily serious human infections. Antibiotic resistance is creating many problems. The need is for both new anti-infectives; and effective alternatives to current antibiotics.

Opal revenue-generating product line

Opal's BDM-I business addresses the pressing need for new anti-infectives and its new business will exploit the opportunity to develop a revenue-generating line of new products as alternatives to antibiotics. This new plan will be the subject of a fund-raising into Opal Biosciences.

Following the successful completion of a fund-raising

- Opal will pursue its commercial objective to commence sales of new products in Australia in approximately 2019 with international territories being accessed through distributors to achieve a revenue and royalty stream into the company.
- Opal will continue the development of its novel BDM-I technology (Opal-I, Opal-T and Opal-L) which is in a high growth commercially attractive market segment of new anti-infectives. The development path of the BDM-I-based products assumes progress towards regulatory approval and product launch. This will allow marketing by Opal or through distributors or licencees. Opal would also consider sale or outlicence of the technology to a larger partner.

The revenue-generating business will support growth of the company to expand the portfolio of anti-infective products and the development of Opal-I, Opal-T, Opal-L and other novel products to create a specialist company offering effective alternatives to antibiotics.

With this spectrum of activity and portfolio of products,
Opal is well positioned in the anti-infective market segment.

Large and growing market:

The market for successful anti-infectives is large and growing due to the emergence of germs with resistance to many antibiotics, and the recognition of the need to curb use of antibiotics where possible.

Few competitors:

The pipeline for potential competitor anti-infective drugs in development is weak compared to other diseases. Non-antibiotic alternatives are hard to find. These products tend to be less regulated and evidence of quality and proven effectiveness can be lacking. This where Opal Biosciences products can fill the gap for medical professionals who want to use non-antibiotics, allowing them to prescribe or recommend high quality products which have scientific evidence to support their efficacy. The general public will also be able to use these products with higher confidence.

Development incentives and government policy:

International incentives are aimed at assisting companies who are developing anti-infective products to reduce risk and development costs.

Opal technology's potential:

Opal's BDM-I technology has already demonstrated significant activity against some of the highest threat germs where there is a need for new treatments. Product development of novel injectable and topical products have already commenced. An extensive international team is already involved in the company's development program, including Western Sydney University; Griffith University; University of Sydney; formulation expert company, Formulytica Pty Ltd; various US and European specialist development companies; and a number of US government-funded institutions.

Opal's new business will include revenue-generating products: a portfolio of non-antibiotic products targeting treatment and prevention of infection based on scientifically proven quality ingredients.

Financial Report

Directors' Report

The directors present their report, together with the financial statements, on the company for the period ended 30 June 2017.

Directors

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

–Mr Hugh M Morgan AC
–Ms Julie Phillips
–Prof Larisa Rudenko

Principal activities

During the financial period the principal activity of the company consisted of the development and commercialisation of pharmaceutical and biomedical research.

Dividends

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

Review of operations

The loss for the company after providing for income tax amounted to $190 (30 June 2016: $24,591).

Opals' preclinical antimicrobial compound BDM-I is being developed and commercialised to target the treatment of infections, including 'superbugs' that cause antibiotic-resistant serious human infections. The formation of Opal Biosciences in May 2015 as a subsidiary of BioDiem Limited, was undertaken to permit external investment in the development of BDM-I while allowing BioDiem shareholders to retain benefit from successful commercialisation Matters subsequent to the end of the financial period

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial period

Opal Biosciences is currently looking into various financing initiatives to further fund the ongoing operations of the Company, including seeking potential partners to support the next stage of development of the Company's products, Opal-I and Opal-T.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company'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 company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors

There were no meetings of directors held during the period ended 30 June 2017.

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the period ended 30 June 2017 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 period, 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 period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

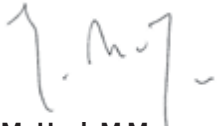
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

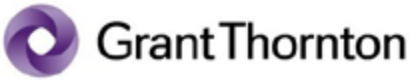


Mr Hugh M Morgan AC

Director

12 October 2017

Auditor's independence declaration



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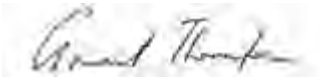
Auditor's Independence Declaration to the Directors of Opal Biosciences Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Opal Biosciences Limited for the year ended 30 June 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 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, 12 October 2017

Statement of profit or loss and other comprehensive income

For the period ended 30 June 2017

	Note	2017 $	2016 $
Expenses			
Administration		(190)	(165)
Research and development		-	(24,426)
Loss before income tax expense		(190)	(24,591)
Income tax expense	4	-	-
Loss after income tax expense for the period attributable to the owners of Opal Biosciences Limited		(190)	(24,591)
Other comprehensive income for the period, net of tax			-
Total comprehensive income for the period attributable to the owners of Opal Biosciences Limited		(190)	(24,591)

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

Statement of financial position

For the period ended 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	78,231	78,421
Total current assets		78,231	78,421
Total assets		78,231	78,421
Liabilities			
Total liabilities		-	-
Net assets		78,231	78,421
Equity			
Issued capital	6	103,012	103,012
Accumulated losses		(24,781)	(24,591)
Total equity		78,231	78,421

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

Statement of changes in equity

For the period ended 30 June 2017

	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 4 May 2015	-	-	-	-
Loss after income tax expense for the period	-	-	(24,591)	(24,591)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(24,591)	(24,591)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 6)	103,012	-	-	103,012
Balance at 30 June 2016	103,012	-	(24,591)	78,421

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2016	103,012	-	(24,591)	78,421
Loss after income tax expense for the period	-	-	(190)	(190)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(190)	(190)
Balance at 30 June 2017	103,012	-	(24,781)	78,231

Statement of cash flows

For the period ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(190)	(24,591)
Net cash used in operating activities	11	(190)	(24,591)
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	6	-	103,012
Net cash from financing activities		-	103,012
Net increase/(decrease) in cash and cash equivalents		(190)	78,421
Cash and cash equivalents at the beginning of the financial period		78,421	-
Cash and cash equivalents at the end of the financial period	5	78,231	78,421

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

Notes to the financial statements

Note 1. General information

Note 1. General information

The financial statements cover Opal Biosciences Limited as an individual entity. The financial statements are presented in Australian dollars, which is Opal Biosciences Limited's functional and presentation currency.

Opal Biosciences 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 company'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 12 October 2017. 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 periods presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company 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.

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 company'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.

Income tax

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

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

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

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

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

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

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company'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 company'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.

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2016. The company has assessed the impact of these new or amended Accounting Standards and Interpretations, and determined that none are likely to have a material impact on the financial statements.

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. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

Note 4. Income tax expense

	2017 $	2016 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(190)	(24,591)
Tax at the statutory tax rate of 27.5% (2016: 30%)	(52)	(7,377)
Current period temporary differences not recognised	52	7,377
Income tax expense	-	-

Note 5. Current assets - cash and cash equivalents

	2017 $	2016 $
Cash at bank	78,231	78,421

Note 6. Equity - issued capital

	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares - fully paid	10,515,012	10,515,012	103,012	103,012

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Issue of shares	4 May 2015	12	$1.00	12
Issue of shares	6 July 2015	10,000,000	$0.00	-
Issue of shares	22 July 2015	477,500	$0.20	95,500
Issue of shares	23 September 2015	37,500	$0.20	7,500
Balance	30 June 2016	10,515,012		103,012
Balance	30 June 2017	10,515,012		103,012

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.

Capital risk management

The company'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.

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

The company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial period.

Note 7. Equity - dividends

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

Note 8. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Board. The policies employed to mitigate risk include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits. The Board identifies risk and evaluates the effectiveness of its responses.

The company is not subject to any significant financial risks as at balance date.

Note 9. Related party transactions

Parent entity

BioDiem Limited is the parent entity.

Transactions with related parties

Other than the issue of 10,000,000 shares to the parent entity in the prior financial year, there were no transactions with related parties during the financial period.Receivable from and payable to related parties

Receivable from and payable to related parties

There were no receivables from and payable to related parties.

Loans to/from related parties

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

Note 10. Events after the reporting period

Opal Biosciences is currently looking into various financing initiatives to further fund the ongoing operations of the Company, including seeking potential partners to support the next stage of development of the Company's products, Opal-I and Opal-T.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 11. Reconciliation of loss after income tax to net cash used in operating activities

	2017 $	2016 $
Loss after income tax expense for the period	(190)	(24,591)
Net cash used in operating activities	(190)	(24,591)

Directors' declaration

30 June 2017

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 company's financial position as at 30 June 2017 and of its performance for the financial period 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

Mr Hugh M Morgan AC
Director

12 October 2017

Independent auditor's report
to the members of Opal Biosciences Limited

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Independent Auditor's Report
to the Members of Opal Biosciences Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Opal Biosciences Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Company's financial position as at 30 June 2017 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 Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Independent auditor's report
to the members of Opal Biosciences Limited

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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 Company'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 intends to liquidate the Company or to cease operations, or has 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, 12 October 2017

Corporate directory

Directors	Mr Hugh M Morgan AC Ms Julie Phillips Prof Larisa Rudenko
Company secretary	Melanie Leydin
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Principal place of business	Level 4 100 Albert Road South Melbourne VIC 3205 PH: + 61 3 9692 7240
Auditor	Grant Thornton Audit Pty Ltd The Rialto Level 30, 525 Collins Street Melbourne VIC 3000
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