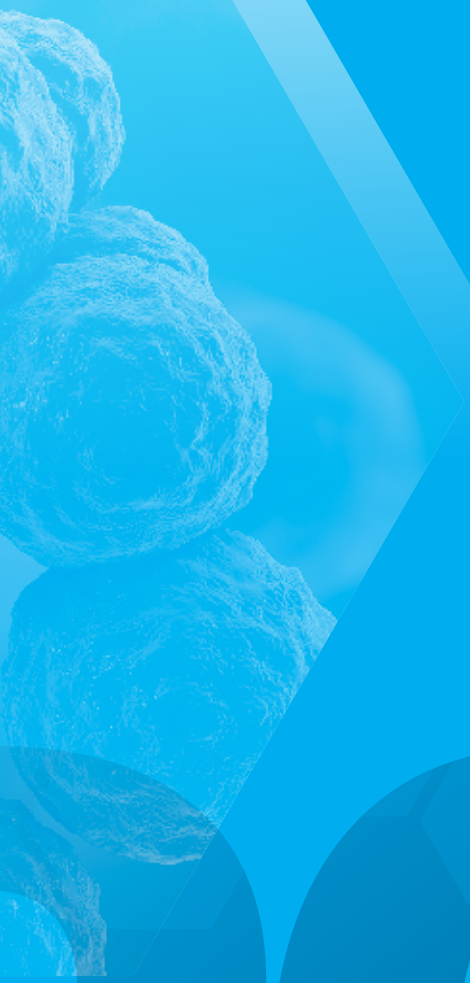

opal Biosciences

Opal Biosciences Limited | ABN 97 605 631 963

2020 ANNUAL REPORT

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Who we are

Opal is an Australian biotechnology company committed to tackling a serious global health threat: antimicrobial resistance. There is a globally recognised need for the development of new treatments of human infection.

The unmet need for new anti-infectives is due to increasing resistance to existing antibiotics, more widespread and common difficult-to-treat infections, and the paucity of upcoming new treatments. This need has spurred the EU and US to introduce significant financial incentives to encourage development of new anti-infectives.

Opal's antimicrobial asset, BDM-I, is in preclinical phase. BDM-I has shown activity against select bacterial and fungal pathogens, responsible for serious infections. Increasing reports of antibiotic resistance to gonorrhoea ad other human pathogens are concerning health authorities and international public health agencies worldwide.

Opal is exploring additional technologies to combat resistant and hard-to-treat infections.

Highlights of 2019-2020

Jul 2019

Receipt of $25K from Innovation Connections grant

Aug 2019

Single dose mouse study in mice of antimicrobial agent BDM-I and without adverse effects

Membrane lysis study showed no effect on human RBCs

Successful ARC AMR Hub bid announced

Sep 2019

ASM/ESCMID conference in Boston, USA

Oct 2019

$280K raised from early exercise of options

Nov 2019

Re-testing of BDM-I showed API batch stability

Protein binding similar in mouse and human blood.

Feb 2020

Additional $175,500 from option exercise

Mar 2020

CSIRO Kickstart grant of $25K received; CSIRO commences program to synthesise water-soluble BDM-I derivatives

WHO declaration of COVID-19 pandemic

May 2020

Testing confirmed activity of BDM-I against serious fungal pathogens

Jul 2020

Subsequent to year end, a mouse study provided additional information about blood and tissue levels of BDM-I that can be obtained without toxicity including with repeat dosing.

Highlights of 2020:

Corporate

- The exercise of options raised $455,500 during the financial year.
- The receipt of $25k from Innovations Connection grant
- Award of $25K for CSIRO Kickstart grant

Operations

- Single dose mouse study in mice of antimicrobial agent BDM-I comparing routes of administration and showing no adverse effects. This study was funded by the US National Institute of Health, NIAID Branch.
- Subsequent to year end, a mouse study provided additional information about blood and tissue levels of BDM-I that can be obtained without toxicity including with repeat dosing.
- Protein binding studies showing comparability of mouse and human blood results.
- Membrane lysis studies showed no adverse effect on human red blood cells
- Additional *in vitro* (lab bench) testing of BDM-I against fungal pathogens confirmed activity.
- Water soluble derivatives of BDM-I under preparation by CSIRO.
- Opal BioSciences partners in successful Australian Research Council (ARC) Research Hub to Combat Antimicrobial Resistance as part of the Industrial Transformation Research Hubs initiative. The ARC awarded this Hub ~ $5 million.

Chairman's Letter

Dear Shareholders,

This last financial year has been tumultuous internationally on many fronts however we have seen significant progress in our company Opal Biosciences Ltd, a subsidiary of BioDiem Ltd.

Our main focus has been to progress the development of Opal's main asset, its drug candidate called BDM-I. BDM-I targets the treatment of antibiotic-resistant and hard-to-treat infections.

Through the exercise of 20c options which were issued as part of a $606,000 capital raising in 2018, we received $455,500 in February this year. These funds were used to progress mouse studies and other important studies to help profile BDM-I's potential as a treatment. Our research costs have been reduced due to the support we receive from international agencies which is often without cost.

The pandemic has caused difficulties with access to certain services, general disruption and uncertainty slowing down the economy and companies' plans. We have however been able to continue to work virtually and use overseas and local development capabilities albeit with some delays.

BioDiem remains Opal's largest shareholder currently standing at 63.3% and we continue to share resources with the parent company so that administration and corporate costs are reduced.

Our progress during the year has been carefully managed and you can read about our achievements in the Review of Operations. The year has not been without difficulties including development hurdles with BDM-I, however we are confident in the knowledge that there is a large unmet medical need for new antimicrobials which needs to be addressed and this propels us. We are also considering an expansion of our portfolio to reduce the risk on any one program. This last year has seen the welcome announcement of the formation of the $1billion AMR Action Fund, supported by 20 leading pharmaceutical companies. Amongst its aims are to support smaller companies targeting public health priorities. We also note the ranking of "antimicrobial resistance" as a priority target area of Australia's $20 billion Medical Research Future Fund (MRFF), and the recent formation of the Australia's first Antimicrobial Research Network (AAMRNet), of which we are a part. The AAMRNet aims to bring together key stakeholders to address the impact of antimicrobial resistance on human health.

Antimicrobial resistance is an enormous problem and presents a great opportunity. The Opal board is currently considering the addition of a new project in the antifungal area where the commercial potential is attractive. This is a reason we deferred the expiry of some 25c options from October 2020 to February 2021. Following our assessment there will be more news for shareholders.

On behalf of the board, I would thank shareholders for their support during the year. I would also like to acknowledge the tireless and enthusiastic work of the Managing Director for which the Board is on behalf of itself and shareholders very appreciative.

Yours faithfully,

Hugh Morgan
Chairman

Managing Director's Letter

Fellow Shareholders,

The 2020 financial year started well and Opal had raised $455,500 by the end of February and just before the global COVID-19 pandemic was declared by the World Health Organisation. As you know, Opal operates as a virtual company anyway, and so there was little impact on our corporate and administration activities, but our operations are outsourced to local and global research groups. Travel and freight have been severely affected and continues to be so.

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

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

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

Another challenge this year has been to identify and access an animal model of infection which is likely to show the benefit of BDM-I in an infection. We have not had success in our search so far. Not just any model will do and we need a validated model, that is one which has shown that its results would be reliable. We are considering commissioning the development of a *Candida glabrata* model, unless we can find one that already exists. These data would be necessary for us to access significant grant funding.

Managing Director's Letter (continued)

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

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

Yours sincerely,

Julie Phillips
Managing Director

We are heartened that "Antimicrobial Resistance" is a priority area of the **$20 billion Australian Medical Research Future Fund**.

Review of Operations

Antimicrobial BDM-I

Opal's preclinical-stage antimicrobial compound BDM-I is being developed and commercialised to target the treatment of antibiotic-resistant and hard-to-treat human infections including 'superbugs'.

Opal was formed in May 2015 as a subsidiary of BioDiem Ltd.

Significant developments during the past year include:

- Single dose mouse study in mice of antimicrobial agent BDM-I comparing routes of administration and showing no adverse effects. This study was funded by the US National Institute of Health, NIAID Branch.
- Subsequent to year end, an additional mouse study providing information from a wide range of dosages of BDM-I (including repeat dosing) showing no adverse effects.
- Protein binding studies showing comparability of mouse and human blood results.
- Membrane lysis studies showing no adverse effect on human red blood cells.
- Additional *in vitro* (lab bench) testing of BDM-I against fungal pathogens confirming activity.
- Water soluble derivatives of BDM-I under preparation by CSIRO.
- Partnering in successful Australian Research Council (ARC) Research Hub to Combat Antimicrobial Resistance as part of the Industrial Transformation Research Hubs initiative.

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

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

Tolerability and pharmacokinetic study (mouse)

Following the results of this study conducted in Taiwan by Eurofins Panlabs, Opal was able to access the US National Institute of Allergy and Infectious Diseases (NIAID) non-clinical and pre-clinical services to undertake a pharmacokinetic study. We received the results of this study in Aug 2019. As previously advised, the study compared the concentrations of BDM-I obtained in the blood (of a mouse) after a single dose given by three different routes of administration i.e. orally, intraperitoneally and intravenously.

The results showed that Opal's antimicrobial, BDM-I, given by injection can achieve BDM-I total blood concentrations in mice which both

- exceed those shown to be needed in lab bench testing (MIC screening) to kill some dangerous micro-organisms and
- which have shown no ill effects in mice in the doses tested.

The doses given to mice orally (by mouth) did not give significantly detectable blood levels and so subsequent studies using oral dosage may need to use higher dose levels. For the purposes of Opal's development program, the information from the injectable form was sufficient for the next stage of work. To shed more light on the potential adverse effects of BDM-I we conducted additional laboratory bench studies.

Red blood cell lysis assay:

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

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

Protein binding assay:

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

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

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

Single vs repeat dose study (mouse)

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

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

BDM-I Next steps

One of the historical difficulties has been to find a group offering a validated animal model of infection using an infection strain that was sensitive to BDM-I.

In vivo testing

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

Additional programs:

- **Glycosylated derivatives of BDM-I**

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

- **Topical BDM-I**

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

Intellectual property strengthening

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

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

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

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

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

https://www.health.gov.au/resources/publications/australian-medical-research-and-innovation-priorities-2018-2020

The ARC Research Hub to Combat Antimicrobial Resistance is a collaboration between the following organisations: *Australian universities:* UNSW Sydney (Kirby Institute, Centre for Social Research in Health), University of Queensland, Monash University, UTS and University of Melbourne
Industry and *partner organisations:* SpeeDx Pty Ltd, Cepheid, Recce Pharmaceuticals Ltd, Opal Biosciences Ltd, Boulos and Cooper Pharmaceuticals Pty Ltd, The Global Antibiotic Research & Development Partnership (GARDP), The Foundation for Innovative New Diagnostics (FIND), the Central and Eastern Sydney PHN , and NPS MedicineWise. Other collaborating organisations include Murdoch Children's Research Institute, WHO Collaborating Centre for Sexually Transmitted Infections and Antimicrobial Resistance, Melbourne Sexual Health Clinic, Western Sydney Sexual Health Centre, Sydney Sexual Health Centre, Papua New Guinea Institute of Medical Research, and Thai Red Cross AIDS Research Centre.

International Profiling

In December 2018 Opal had announced that it joined the U.S. Government's Antimicrobial Resistance (AMR) Challenge by committing to continue to develop urgently needed new anti-infective treatments for life-threatening and hard-to-treat infections.

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

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

Candida auris:
A drug-resistant germ that spreads in healthcare facilities

Candida auris (also called *C. auris)* is a fungus that causes serious infections. Patients with *C. auris* infection, their family members and other close contacts, public health officials, laboratory staff, and healthcare workers can all help stop it from spreading.

Why is *Candida auris* a problem?

It causes serious infections. *C. auris* can cause bloodstream infections and even death, particularly in hospital and nursing home patients with serious medical problems. More than 1 in 3 patients with invasive *C. auris* infection (for example, an infection that affects the blood, heart, or brain) die.

It's often resistant to medicines. Antifungal medicines commonly used to treat *Candida* infections often don't work for *Candida auris*. Some *C. auris* infections have been resistant to all three types of antifungal medicines.

It's becoming more common. Although *C. auris* was just discovered in 2009, it has spread quickly and caused infections in more than a dozen countries.

It's difficult to identify. *C. auris* can be misidentified as other types of fungi unless specialized laboratory technology is used. This misidentification might lead to a patient getting the wrong treatment.

It can spread in hospitals and nursing homes. *C. auris* has caused outbreaks in healthcare facilities and can spread through contact with affected patients and contaminated surfaces or equipment. Good hand hygiene and cleaning in healthcare facilities is important because *C. auris* can live on surfaces for several weeks.

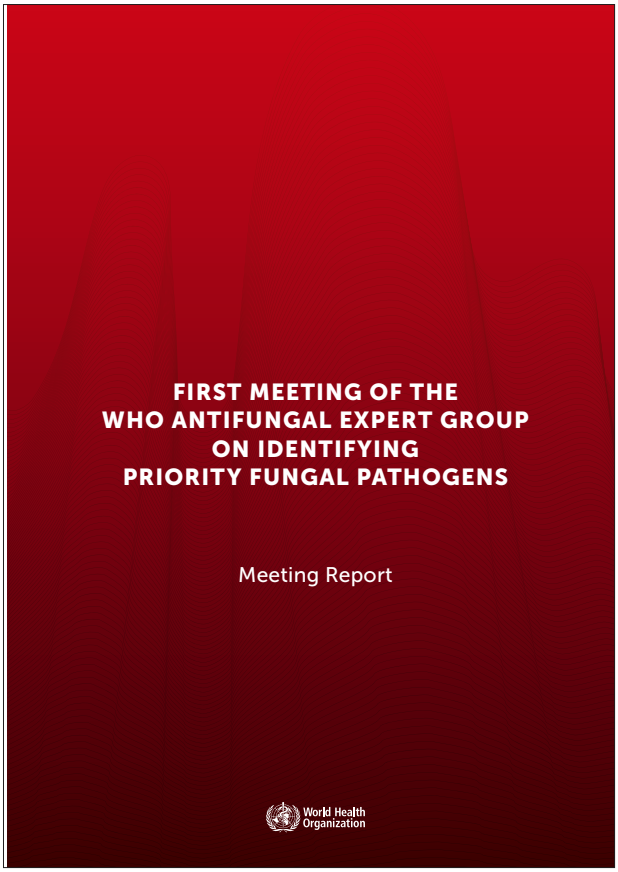
How do I know if I have a *Candida auris* infection?

C. auris is still rare in the United States. People who get invasive *Candida* infections are often already sick from other medical conditions, so it can be difficult to know if you have a *C. auris* infection. The most common symptoms of invasive *Candida* infection are fever and chills that don't improve after antibiotic treatment for a suspected bacterial infection. Only a laboratory test can diagnose *C. auris* infection. Talk to your healthcare provider if you believe you have a fungal or healthcare-associated infection.

CS279813

Most people who get serious *Candida* infections are already sick from other medical conditions.

Centers for Disease Control and Prevention
National Center for Emerging and Zoonotic Infectious Diseases



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Directors' Report

The directors present their report, together with the financial statements, on Opal Biosciences Limited ("Opal" or "the company") for the period ended 30 June 2020.

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
Mr Kenneth Windle
Ms Julie Phillips
Mr Peter Snowball

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 $536,351 (30 June 2019: $318,753).

Opal's preclinical antimicrobial compound BDM-I is being developed and commercialised to target the treatment of antibiotic-resistant and "hard-to-treat" 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.

Coronavirus (COVID-19) pandemic

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

Significant changes in the state of affairs

In August 2019, the company announced the early exercise of 1,400,000 share options by Opal shareholders raising $280,000.

In February 2020, the company issued 877,500 shares on exercise of options at an exercise price of $0.20 (20 cents) per share raising $175,500.

During the year ending June 2020, the company issued 154,932 and 257,733 fully paid ordinary shares at various deemed issue prices per share in lieu of Directors fees to Peter Snowball and Ken Windle, respectively.

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

Directors' Report

Matters subsequent to the end of the financial period

Matters subsequent to the end of the financial period

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

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the 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 technology in an economically efficient manner.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Hugh M Morgan AC | Chairman, Non-Executive Director | LLB, BCom

Hugh Morgan is Principal of First Charnock Pty Ltd. Hugh was appointed Chief Executive Officer of Western Mining Corporation (1990-2003) and prior to that served as an Executive Officer (1976-1986) and then Managing Director (from June 1986). Hugh has served as a Director of Alcoa of Australia Limited (1977-1998 and 2002-2003); Director of Alcoa Inc. (1998-2001); Member of the Board of the Reserve Bank of Australia (1981-1984 and 1996-2007); President of the Australian Japan Business Co-Operation Committee (1999-2006); Joint Chair of the Commonwealth Business Council (2003-2005) and now Emeritus Director; President of the Business Council of Australia (2003-2005) and now an Honorary Member; Member of the Anglo American plc Australian Advisory Board (2006-2014). Hugh was a Member of the Lafarge International Advisory Board; is Chairman of the Order of Australia Association Foundation Limited; Trustee Emeritus of The Asia Society New York; Chairman Emeritus of the Asia Society AustralAsia Centre; Member of the Asia Society Australia Advisory Council; President of the National Gallery of Victoria Foundation. Hugh is a graduate in Law and Commerce from the University of Melbourne. Special responsibilities: None

Directors' Report

Julie Phillips | Managing Director | BPharm, DHP, MSc, MBA

Ms Julie Phillips has a strong background in the biotech and pharmaceutical industry, having worked as the CEO and Director of start-up Australian biotechnology companies operating in the life sciences sector. Chairman of the Innovation and Science Australia's R&D Incentives Committee, until Feb 2020 was Chairman of AusBiotech Ltd, the peak biotechnology industry association in Australia, and is currently a Director of the Medtech and Pharma Growth Centre, MTP Connect. Julie has also been appointed to the University of Newcastle's Council and sits on a number of government advisory committees.
Special responsibilities: None

Kenneth Windle | Non-Executive Director | BPharm, DipEc, MPS

Ken has a successful career in the Australian and international pharmaceutical industry and more recently with smaller Australian companies. Ken Windle worked 30 years with Glaxo/Glaxo Wellcome (now gsk) in International positions including Member of the Group's Executive Committee. This career included Head of Global Commercialisation based in London, CEO of subsidiaries in UK, Australia, and Regional President Asia Pacific. He was Chairman and CEO of Advent Pharmaceuticals Pty Ltd which he co-founded in 2001 and sold in2018. He was Director of Aus Bio Ltd, Chairman of their R&D Committee, Deputy Chair of Acrux, and NED of NZ Pharmaceuticals. He is Chairman of RMIT's PAC and NED of Opal. He served 8 years as a Member of Innovation Australia which included Chairman of the Board's COMET and P3 Committees, member of IIIF Committee, and PISG Working Group. He was Chairman of the working group in Victorian Govt's. Biotechnology Strategic Development Plan. Graduating from Otago University in Pharmacy and pharmacology, he further studied Economics at Massey University, and completed the Executive Programme at London Business School.
Mr Windle has previously served as Consultant to the (Australian) Prime Minister's Science Council on Industry Development, Director of the (Singapore) Economic Development Board EDB, and (Singapore's) Committee on Competitiveness. He was for 2 three year terms Chairman of the APMA (now Medicines Australia), a member of the Pharmaceuticals Industry Advisory Committee, a member of Pharmaceuticals Industry Action Agenda (PIAAG), member of the Pharmaceuticals Industry Strategy Group (PISG), and has been twice a winner of the Governor of Victoria's Export Prize. Special responsibilities: None

Peter Snowball | Non-Executive Director

Peter's successful career in the financial markets started at Barclays Bank and then the London Futures Exchange. After emigrating to Australia in 1971 he traded on the Sydney Wool Futures Exchange for global clients. Then back in London for a short time Peter became a senior broker at Shearson Lehmann Brothers with his own client base of professional traders, trading mainly financial futures in Chicago. Later in Australia Peter set up a financial futures broking desk at Merrill Lynch in Sydney and subsequently at FIMAT Australia, broking interest rate futures into Singapore and Chicago. Peter moved to J B Were in 1994 where he switched to broking equities for retail clients and within five years became one of the biggest business writers in the Sydney office and in the Company. After a short time supporting the Philanthropic Services team, Peter left J B Were in 2014 and moved to roles with smaller private companies assisting in company turn-arounds and corporate transactions. Peter was the current chairman of Philip Shaw Wines Pty Ltd until December 2019. Special responsibilities: None

Directors' Report

Melanie Leydin | Company secretary

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

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the period ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Hugh M Morgan AC	6	7
Ms Julie Phillips	7	7
Mr Kenneth Windle	7	7
Mr Peter Snowball	7	7

Held: represents the number of meetings held during the time the director held office.

Shares under option

Options at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
18/12/2018	31/10/2020	$0.25	1,011,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Date options granted	Exercise price	Number of shares issued
23/02/2018	$0.20	2,277,500

Directors' 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 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
30 October 2020

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 2020, I declare that, to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 October 2020

Statement of profit or loss and other comprehensive income

For the period ended 30 June 2020

	Note	2020 $	2019 $
Revenue			
Other Income	4	95,242	179,445
Expenses			
Research and Development Costs		(199,615)	(89,413)
Administration Expenses		(366,216)	(348,129)
Employment Costs		(65,762)	(60,656)
Loss before income tax expense		(536,351)	(318,753)
Income tax expense	5	-	-
Loss after income tax expense for the period attributable to the owners of Opal Biosciences Limited		(536,351)	(318,753)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the owners of Opal Biosciences Limited		(536,351)	(318,753)

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

Statement of financial position

As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	6	247,761	336,466
Trade and other receivables	7	13,007	4,713
Other assets	8	213,844	143,602
Total current assets		474,612	484,781
Total assets		474,612	484,781
Liabilities			
Current liabilities			
Trade and other payables	9	48,443	74,656
Total current liabilities			
Total liabilities		48,443	74,656
Net assets		426,169	410,125
Equity			
Issued capital	10	2,014,157	1,461,762
Accumulated losses		(1,587,988)	(1,051,637)
Total equity		426,169	410,125

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 2020

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018	1,209,012	(732,884)	476,128
Loss after income tax expense for the period	-	(318,753)	(318,753)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	(318,753)	(318,753)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 10)	252,750	-	252,750
Balance at 30 June 2019	1,461,762	(1,051,637)	410,125

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019	1,461,762	(1,051,637)	410,125
Loss after income tax expense for the period	-	(536,351)	(536,351)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive loss for the period	-	(708,103)	(708,103)
Transactions with owners in their capacity as owners:			
Exercise of options	455,500	-	455,500
Issue of shares	96,895	-	96,895
Balance at 30 June 2020	2,014,157	(1,587,988)	426,169

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

Statement of cash flows

For the period ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Income received		27,500	80,969
Payments to suppliers and employees (inclusive of GST)		(571,705)	(419,648)
Net cash used in operating activities	15	(544,205)	(338,679)
Cash flows from financing activities			
Proceeds from exercise of options	10	455,500	252,750
Net cash from financing activities		455,500	252,750
Net decrease in cash and cash equivalents		(88,705)	(85,929)
Cash and cash equivalents at the beginning of the financial period		336,466	422,395
Cash and cash equivalents at the end of the financial period	6	247,761	336,466

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

Notes to the financial statements

30 June 2020

Note 1. General information

The financial statements cover 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 a for profit entity.

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 30 October 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the 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.

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

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

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any

future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The company adopted this standard from 1 July 2019 however there is no material effect on recognition or measurement as Opal Biosciences Limited is not involved in any lease agreements.

Going concern

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

The Company reported a net loss after tax of $536,351 (2019: $318,753 net loss after tax) for the financial year ended 30 June 2020. The net loss after tax is directly attributable to the expenditures incurred in ongoing research and development activities, as well as administration expenditure. Despite the net loss after tax incurred for the period, the Directors have prepared the financial statements on the going concern basis. The going concern basis is considered appropriate based on a combination of the existing net assets of the Company, which amount to $426,169 (30 June 2019: $410,125), including cash and cash equivalent assets of $247,761 (30 June 2019: $336,466), and the expectation of Company's ongoing ability to successfully secure additional sources of financing. In this regard, the Directors note the following:

- The Company received $455,500 from the exercise of options and is considering other alternative sources of cash inflows from financing initiatives, such as capital raisings including the exercise of options.
- In addition the Company still holds 1,011,000 options at $0.25 (25 cents) expiring on 31 October 2020.
- As 30 June 2020, the Company recognised a receivable of $213,844 from the R&D tax incentive, which is expected to be received in the first half of the 2021 financial year.
- Directors have the ability to curtail discretionary expenditures, which form a significant part of the Company's total expenditure, enabling the company to fund its operating expenditures within its available cash reserves.

For these reasons, the Directors believe the Company has positive future prospects and are satisfied the going concern basis of preparation of these annual financial statements is appropriate.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Grant and concession revenue
Unconditional government grants are recognised in profit or loss as other income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when received and when there is reasonable assurance that the entity will comply with the conditions attaching to it.

Other grants or concessions, including Research & Development Tax concessions, that compensate the entity for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred, and as a receivable over the same period.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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.

Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost less allowance for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price

at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 4. Other income

	2020 $	2019 $
Research and Development Tax Concession	70,242	154,445
Grants	-	25,000
Other income	25,000	-
Other income	95,242	179,445

Note 5. Income tax expense

	2020 $	2019 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(536,351)	(318,753)
Tax at the statutory tax rate of 27.5%	(147,497)	(87,657)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research & Development tax incentive - not assessable	(19,316)	(50,035)
Research & Development expenditure - not deductible	67,465	91,470
	(99,348)	(46,222)
Current period tax losses not recognised	90,808	53,097
Current period temporary differences not recognised	8,540	(6,875)
Income tax expense	-	-

Note 6. Current assets - Cash and cash equivalents

	2020 $	2019 $
Cash at bank	247,761	336,466

Note 7. Current assets - Trade and other receivables

	2020 $	2019 $
GST receivable	13,007	4,713

Note 8. Current assets - Other assets

	2020 $	2019 $
Accrued revenue	213,844	143,602

Note 9. Current liabilities - Trade and other payables

	2020 $	2019 $
Trade payables	29,574	-
Other creditors and accruals	18,869	74,656
	48,443	74,656

Refer to note 12 for further information on financial instruments.

Note 10. Equity - Issued capital

	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	19,746,177	17,056,012	2,014,157	1,461,762

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	16,045,012		1,209,012
Issue of shares*	31 December 2018	1,011,000	$0.25	252,750
Balance	30 June 2019	17,056,012		1,461,762
Exercise of options**	30 September 2019	1,400,000	$0.20	280,000
Exercise of options**	01 February 2020	877,500	$0.20	175,500
Issue of shares***	30 June 2020	125,537	$0.20	25,109
Issue of shares***	30 June 2020	287,128	$0.25	71,786
Balance	30 June 2020	19,746,177		2,014,157

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.

*During FY19, Opal Biosciences Limited issued 1,011,000 shares to investors at $0.25 (25 cents) per share, successfully raising $252,750.

**During FY20, Opal Biosciences Limited issued a total of 2,277,500 shares on the exercise of options at an exercise price of $0.20 (20 cents) per share.

***During FY20, the Company issued 154,932 and 257,733 fully paid ordinary shares at various deemed issue prices per share in lieu of Directors fees to Peter Snowball and Ken Windle, respectively.

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.

Note 11. Equity - dividends

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

Note 12. 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.

Market risk

Foreign currency risk

The company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The company is not exposed to any significant price risk.

Interest rate risk

The Company is not currently exposed to any significant interest rate risk.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised, as counterparties are recognised financial intermediaries, with acceptable credit ratings determined by recognised credit agencies.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position.

None of the company's receivables are past their due date.

The company has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the company based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position

2020	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	$
Non-derivatives						
Non-interest bearing						-
Trade payables	-	48,443	-	-	-	48,443
Total non-derivatives		48,443	-	-	-	48,443

2019	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	$
Non-derivatives						
Non-interest bearing						-
Trade payables	-	74,656	-	-	-	74,656
Total non-derivatives		74,656	-	-	-	74,656

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

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 13. Related party transactions

Parent entity
BioDiem Limited is the parent entity.

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

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

Note 14. Events after the reporting period

Coronavirus (COVID-19) pandemic

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

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 15. Reconciliation of loss after income tax to net cash used in operating activities

	2020 $	2019 $
Loss after income tax expense for the period	(536,351)	(318,753)
Adjustments for:		
Share-based payments	54,794	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(8,294)	9,102
Decrease/(increase) in current assets	(70,242)	(75,413)
Increase in trade and other payables	15,888	46,385
Net cash used in operating activities	(544,205)	(338,679)

Note 16. Share-based payments

During the period ending June 2020, the company issued 154,932 fully paid ordinary shares at various deemed issue prices per share in lieu of Director fee of $37,377 to Peter Snowball and company also issued 257,733 fully paid ordinary shares at various deemed issue prices per share in lieu of Directors fees of $59,518 to Ken Windle.

Directors' declaration

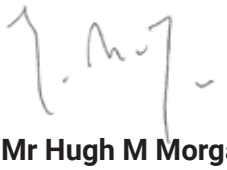
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2020 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

30 October 2020

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 2020, 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 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of $536,351 during the year ended 30 June 2020, and has a cash balance of $247,761 as of that date. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report

to the members of Opal Biosciences Limited

Grant Thornton

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 October 2020

Corporate directory

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Company secretary	Melanie Leydin
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