

Opal Biosciences Limited

ABN 97 605 631 963

Half-year Financial Report - 31 December 2020

Opal Biosciences Limited
Corporate directory
31 December 2020

Directors	Mr Hugh M Morgan AC Ms Julie Phillips Mr Henry Kenneth Windle Mr Peter Snowball
Company secretary	Melanie Leydin
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 PH: + 61 3 9692 7240
Principal place of business	Level 4 100 Albert Road South Melbourne VIC 3205 PH: + 61 3 9692 7240
Auditor	Grant Thornton Audit Pty Ltd Tower 5, Collins Square 727 Collins Street Melbourne VIC 3008
Website	www.opalbiosciences.com

Opal Biosciences Limited

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Opal Biosciences Limited
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2020.

Directors

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

Mr Hugh M Morgan AC
Ms Julie Phillips
Mr Peter Snowball
Mr H. Kenneth Windle

Principal activities

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

Review of operations

The loss for the company after providing for income tax amounted to \$158,135 (31 December 2019: \$180,473).

Opal's 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.

Significant changes in the state of affairs

During the period ending 31 December 2020, 4,000 options were exercised at \$0.25 (25 cents) raising \$1,000.

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

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 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

Matters subsequent to the end of the financial half-year

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

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Opal Biosciences Limited
Directors' report
31 December 2020

Auditor's independence declaration

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

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

On behalf of the directors



Ms Julie Phillips
Director

31 March 2021

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 review of Opal Biosciences Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 31 March 2021

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

	Note	31 December 2020 \$	31 December 2019 \$
Revenue			
Other income	3	49,105	73,226
Total revenue		<u>49,105</u>	<u>73,226</u>
Expenses			
Research and development expenses		(12,145)	(40,252)
Administration		(195,095)	(213,447)
Total expenses		<u>(207,240)</u>	<u>(253,699)</u>
Loss before income tax expense		(158,135)	(180,473)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Opal Biosciences Limited		(158,135)	(180,473)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Opal Biosciences Limited		<u>(158,135)</u>	<u>(180,473)</u>

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

Opal Biosciences Limited
Statement of financial position
As at 31 December 2020

	31 December	30 June 2020
Note	2020 \$	2020 \$
Assets		
Current assets		
	174,693	247,761
	15,577	13,007
	150,823	213,844
4	<u>341,093</u>	<u>474,612</u>
	<u>341,093</u>	<u>474,612</u>
Liabilities		
Current liabilities		
	72,059	48,443
	<u>72,059</u>	<u>48,443</u>
	<u>72,059</u>	<u>48,443</u>
Net assets		
	<u>269,034</u>	<u>426,169</u>
Equity		
	2,015,157	2,014,157
	<u>(1,746,123)</u>	<u>(1,587,988)</u>
	<u>269,034</u>	<u>426,169</u>

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

Opal Biosciences Limited
Statement of changes in equity
For the half-year ended 31 December 2020

	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 half-year	-	(180,473)	(180,473)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(180,473)	(180,473)
<i>Transactions with owners in their capacity as owners:</i>			
Issue of shares	280,000	-	280,000
Balance at 31 December 2019	<u>1,741,762</u>	<u>(1,232,110)</u>	<u>509,652</u>
	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	2,014,157	(1,587,988)	426,169
Loss after income tax expense for the half-year	-	(158,135)	(158,135)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(158,135)	(158,135)
<i>Transactions with owners in their capacity as owners:</i>			
Exercise of options	1,000	-	1,000
Balance at 31 December 2020	<u>2,015,157</u>	<u>(1,746,123)</u>	<u>269,034</u>

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

Opal Biosciences Limited
Statement of cash flows
For the half-year ended 31 December 2020

	31 December 2020	31 December 2019
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(186,194)	(215,502)
Operating - R&D tax incentive	107,126	-
Operating - Government grants	5,000	27,500
	<u>(74,068)</u>	<u>(188,002)</u>
Net cash used in operating activities		
	<u>-</u>	<u>-</u>
Net cash from investing activities		
	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from exercise of options	1,000	280,000
Net cash from financing activities	<u>1,000</u>	<u>280,000</u>
Net increase/(decrease) in cash and cash equivalents	(73,068)	91,998
Cash and cash equivalents at the beginning of the financial half-year	<u>247,761</u>	<u>336,454</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>174,693</u></u>	<u><u>428,452</u></u>

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

Opal Biosciences Limited
Notes to the financial statements
31 December 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 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 31 March 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

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

The company reported a net loss after tax of \$158,135 (December 2019: \$180,473 net loss after tax) for the half-year ended 31 December 2020. The net loss after tax is directly attributable to the expenditures incurred in ongoing employment expenditure and 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 entity, which amounted to \$269,034 (30 June 2020: \$426,169), including cash and cash equivalent assets of \$174,693 (30 June 2020: \$247,761), and the expectation of company's ongoing ability to successfully secure additional sources of financing. In this regard, the Directors note the following:

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

Opal Biosciences Limited
Notes to the financial statements
31 December 2020

Note 2. Significant accounting policies (continued)

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

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

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

Note 3. Other income

	31 December 2020	31 December 2019
	\$	\$
Research & Development Tax Concession	44,105	45,726
Subsidies and grants	<u>5,000</u>	<u>27,500</u>
Other income	<u><u>49,105</u></u>	<u><u>73,226</u></u>

Note 4. Current assets - Other assets

	31 December 2020	30 June 2020
	\$	\$
Accrued revenue	<u>150,823</u>	<u>213,844</u>

Note 5. Equity - Issued capital

	31 December 2020	30 June 2020	31 December 2020	30 June 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>19,750,177</u>	<u>19,746,177</u>	<u>2,015,157</u>	<u>2,014,157</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance		19,746,177		2,014,157
Exercise of options	22-Oct-2020	<u>4,000</u>	\$0.25	<u>1,000</u>
Balance	31 December 2020	<u><u>19,750,177</u></u>		<u><u>2,015,157</u></u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Opal Biosciences Limited
Notes to the financial statements
31 December 2020

Note 5. Equity - Issued capital (continued)

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 the half-year ended 31 December 2020, Opal Biosciences Limited issued 4,000 shares on exercise of options at an exercise price of \$0.25 (25 cents) per share.

Note 6. Equity - dividends

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

Note 7. Events after the reporting period

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

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Opal Biosciences Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Ms Julie Phillips
Director

31 March 2021

Independent Auditor's Review Report

To the Members of Opal Biosciences Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Opal Biosciences Limited (the Company), which comprises the statement of profit or loss and other comprehensive income, the statement of financial position as at 31 December 2020, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Opal Biosciences Limited does not comply with the *Corporations Act 2001* including:

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

Basis for Conclusion

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Company incurred a net loss of \$158,135 during the half year ended 31 December 2020. As stated in Note 2, this events or condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 31 March 2021