

Alchemia

ALCHEMIA LIMITED

ABN 43 071 666 334

**APPENDIX 4D HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

1. Company details

Name of entity:	Alchemia Limited
ABN:	43 071 666 334
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	99.9% to	21,439
Loss from ordinary activities after tax attributable to the owners of Alchemia Limited	down	101.4% to	(289,240)
Loss for the half-year attributable to the owners of Alchemia Limited	down	101.4% to	(289,240)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$289,240 (31 December 2015: profit of \$21,395,168).

Refer to half year financial statements for more details.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.75</u>	<u>0.84</u>

4. Control gained or lost over entities

Not applicable.

5. Dividends

Current period

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

Previous period

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

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report for the six months ended .

10. Attachments

Details of attachments (if any):

The Interim Report for the six months ended of Alchemia Limited for the half-year ended 31 December 2016 is attached.

11. Signed

Signed  _____

Date: 20 February 2017

Simon Gennari
Non-Executive Chairman

Alchemia Limited

Trading as Alchemia Limited

ABN 43 071 666 334

Interim Report for the six months ended - 31 December 2016

Corporate directory	2
Directors' report	3
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	14
Independent auditor's review report to the members of Alchemia Limited	15

Directors	Mr. Simon Gennari (Non-Executive Chairman) Mr. David Lamm (Non-Executive Director) Mr. Darren Book (Non-Executive Director)
Company secretary	Ms. Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205
Share register	Link Market Services, Tower 4, 727 Collins Street, Docklands, VIC 3008 Telephone: (03) 9200 4555 Email: registrars@linkmarketservices.com.au
Auditor	Grant Thornton Australia The Rialto, Level 30, 525 Collins Street Melbourne VIC 3000
Stock exchange listing	Alchemia Limited shares are listed on the Australian Securities Exchange (ASX code: ACL)
Website	www.alchemia.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Alchemia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Mr. Simon Gennari (Non-Executive Chairman)
Mr. David Lamm (Non-Executive Director)
Mr. Darren Book (Non-Executive Director) (appointed 12 December 2016)
Mr. Nathan Drona (Non-Executive Director) (resigned 25 November 2016)

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of:

- Closure of all Clinical trial activities; and
- Review of new opportunities which will provide overall increase to shareholder value.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$289,240 (31 December 2015: profit of \$21,395,168).

Financial Position

The consolidated entity made a loss of \$289,240 during the financial half-year to 31 December 2016 (31 December 2015: profit of \$21,395,168). The loss this financial year mainly relates to ongoing working capital expenditure.

The net tangible assets of \$2,447,435 at 31 December 2016 ensures the Group is in a sound financial position. The cash burn of the Group for the financial year ended 30 June 2017 is expected to be significantly reduced from the financial year ended 30 June 2016 given the Group is no longer funding any development of its oncology assets.

Corporate Restructuring

The Company's development and commercialisation activities have significantly reduced during the six months to 31 December 2016. It continues to own and maintain HyACT technology intellectual property, although the development of this intellectual property largely ceased following the HA-Irinotecan Phase III trial failure in October 2014. The Company continues to remain open to the possibility of corporate transactions, such as sale or licence of the HyACT technology in the future.

The company considered a number of approaches from external parties which included mergers and other corporate transactions, but it was the opinion of the Directors that they did not offer shareholders sufficient certainty of adequate return.

Significant changes in the state of affairs

On 25 November 2016, the Group announced that Mr Nathan Drona has tendered his resignation as a Non-executive Director of the Company to focus on his other business interests and commitments. Nathan has been a member of the ACL board since March 2013 together with Chairman of the Audit and Risk Committee.

On 12 December 2016, the Group announced that Mr Darren Book has been appointed to the Board as a Non-Executive Director effective 12 December 2016.

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

Matters subsequent to the end of the financial half-year


No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'S Gennari', is written over a horizontal line.

Mr Simon Gennari
Non-Executive Chairman

20 February 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration To The Directors of Alchemia Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Alchemia Limited for the half-year ended 31 December 2016, 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, 20 February 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Alchemia Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



		Consolidated	
	Note	31 December 2016	31 December 2015
		\$	\$
Revenue			
Interest		4,918	45,268
Other revenue		16,521	149,860
Sale of fondaparinux		-	24,639,119
Total revenue		<u>21,439</u>	<u>24,834,247</u>
Expenses			
Payroll and staff expense		-	(525,040)
Depreciation and amortisation expense		-	(162,279)
Rent and occupancy expense		(2,818)	(77,012)
Research and development costs		(58,077)	(941,843)
Other expenses		(11,391)	(242,226)
Administration and corporate expense		(238,393)	(839,176)
Total expenses		<u>(310,679)</u>	<u>(2,787,576)</u>
Profit/(loss) before income tax expense		(289,240)	22,046,671
Income tax expense	3	<u>-</u>	<u>(651,503)</u>
Profit/(loss) after income tax expense for the half-year attributable to the owners of Alchemia Limited		(289,240)	21,395,168
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Alchemia Limited		<u>(289,240)</u>	<u>21,395,168</u>
		Cents	Cents
Basic earnings per share	13	(0.1)	6.6
Diluted earnings per share	13	(0.1)	6.6

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

Alchemia Limited
Statement of financial position
As at 31 December 2016



		Consolidated	
	Note	31 December 2016 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	1,737,120	1,873,917
Trade and other receivables	5	440,775	646,869
Prepayments		116,150	169,754
Total current assets		<u>2,294,045</u>	<u>2,690,540</u>
Non-current assets			
Prepayments		226,411	247,638
Total non-current assets		<u>226,411</u>	<u>247,638</u>
Total assets		<u>2,520,456</u>	<u>2,938,178</u>
Liabilities			
Current liabilities			
Trade and other payables	6	73,021	201,503
Total current liabilities		<u>73,021</u>	<u>201,503</u>
Total liabilities		<u>73,021</u>	<u>201,503</u>
Net assets		<u>2,447,435</u>	<u>2,736,675</u>
Equity			
Issued capital	7	121,294,523	121,294,523
Reserves	8	-	5,680,436
Accumulated losses		<u>(118,847,088)</u>	<u>(124,238,284)</u>
Total equity		<u>2,447,435</u>	<u>2,736,675</u>

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

Alchemia Limited
Statement of changes in equity
For the half-year ended 31 December 2016



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	151,493,821	5,680,436	(145,664,280)	11,509,977
Profit after income tax expense for the half-year	-	-	21,394,719	21,394,719
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	21,394,719	21,394,719
Balance at 31 December 2015	<u>151,493,821</u>	<u>5,680,436</u>	<u>(124,269,561)</u>	<u>32,904,696</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	121,294,523	5,680,436	(124,238,284)	2,736,675
Loss after income tax expense for the half-year	-	-	(289,240)	(289,240)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(289,240)	(289,240)
<i>Transactions with owners in their capacity as owners :</i>				
Lapse of options	-	(5,680,436)	5,680,436	-
Balance at 31 December 2016	<u>121,294,523</u>	<u>-</u>	<u>(118,847,088)</u>	<u>2,447,435</u>

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

Alchemia Limited
Statement of cash flows
For the half-year ended 31 December 2016



	Consolidated	
	31 December	31 December
	2016	2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(146,493)	(4,971,245)
Receipts from grants and R&D incentives	-	6,186,000
Interest received	4,918	41,852
Profit share and other income received	16,521	1,802,000
	<hr/>	<hr/>
Net cash from/(used in) operating activities	(125,054)	3,058,607
 Cash flows from investing activities		
Proceeds from sale of fondaparinux	-	24,639,119
Redemption of short term deposits	-	116,600
	<hr/>	<hr/>
Net cash from investing activities	-	24,755,719
 Cash flows from financing activities		
Net cash from financing activities	<hr/>	<hr/>
	-	-
 Net increase/(decrease) in cash and cash equivalents	(125,054)	27,814,326
Cash and cash equivalents at the beginning of the financial half-year	1,873,917	5,020,970
Effects of exchange rate changes on cash and cash equivalents	(11,743)	217,302
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	<u>1,737,120</u>	<u>33,052,598</u>

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

Note 1. General information

The financial statements cover Alchemia Limited as a consolidated entity consisting of Alchemia Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Alchemia Limited's functional and presentation currency.

Alchemia Limited is a listed 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 consolidated entity'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 20 February 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 consolidated entity 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.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business for the following reasons:

- At 31 December 2016, the Group had net current assets of \$2,447,435 (30 June 2016: \$2,736,675);
- The board of directors have continued to downscale its operations and discontinue programs, whilst meet minimum expenditure commitments; and
- The company has sufficient cash reserves and working capital to fund its planned activities for the period beyond 12 months from the date of signing of financial report.

Based on the above, the directors believe the consolidated entity will continue as a going concern and that it is appropriate to adopt the basis of accounting in the preparation of the financial report.

Note 3. Income tax expense

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
<i>Income tax expense</i>		
Adjustment recognised for prior periods	-	126,084
(Increase)/decrease in deferred tax assets	-	524,514
(Decrease)/increase in deferred tax liabilities	-	905
	<hr/>	<hr/>
Aggregate income tax expense	-	651,503
	<hr/> <hr/>	<hr/> <hr/>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	(289,240)	22,046,671
	<hr/>	<hr/>
Tax at the statutory tax rate of 30%	(86,772)	6,614,001
	<hr/>	<hr/>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other	-	(17,061)
	<hr/>	<hr/>
Adjustment recognised for prior periods	(86,772)	6,596,940
Temporary differences not recognised during the current year	-	126,084
Utilisation of previously unrecognised tax losses	86,772	(861,524)
	<hr/>	<hr/>
Income tax expense	-	651,503
	<hr/> <hr/>	<hr/> <hr/>

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Cash at bank	501,592	593,191
Cash on deposit	1,235,528	1,280,726
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Trade receivables	440,775	646,869
	<hr/> <hr/>	<hr/> <hr/>

Note 6. Current liabilities - trade and other payables

	Consolidated	
	31 December	
	2016	30 June 2016
	\$	\$
Trade payables	62,021	171,503
Other payables	11,000	30,000
	<u>73,021</u>	<u>201,503</u>

Note 7. Equity - issued capital

	Consolidated			
	31 December		31 December	
	2016	30 June 2016	2016	30 June 2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>324,723,621</u>	<u>324,723,621</u>	<u>121,294,523</u>	<u>121,294,523</u>

Ordinary shares

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 8. Equity - reserves

	Consolidated	
	31 December	
	2016	30 June 2016
	\$	\$
*Options reserve - employee related	-	5,041,626
*Options reserve - non employee related	-	638,810
	<u>-</u>	<u>5,680,436</u>

*All lapsed options have been reversed during the period as employees and Directors which these options related too are no longer part of the Group.

Note 9. Equity - dividends

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

Note 10. Contingent assets and liabilities

There are no contingent assets or liabilities as at 31 December 2016 (2015:Nil)

Note 11. Expenditure Commitments

There were no capital expenditure commitments as at 31 December 2016

There was no operating lease commitments as at 31 December 2016

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2016 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.

Note 13. Earnings per share

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Profit/(loss) after income tax attributable to the owners of Alchemia Limited	<u>(289,240)</u>	<u>21,395,168</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>324,723,621</u>	<u>324,723,621</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,723,621</u>	<u>324,723,621</u>
	Cents	Cents
Basic earnings per share	(0.1)	6.6
Diluted earnings per share	(0.1)	6.6

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 consolidated entity's financial position as at 31 December 2016 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

A handwritten signature in black ink, appearing to read 'S Gennari', is written over a horizontal line.

Mr Simon Gennari
Non-Executive Chairman

20 February 2017



Grant Thornton

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To The Members of Alchemia Limited

We have reviewed the accompanying half-year financial report of Alchemia Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of Alchemia Limited 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 controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Alchemia Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alchemia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

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

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 20 February 2017