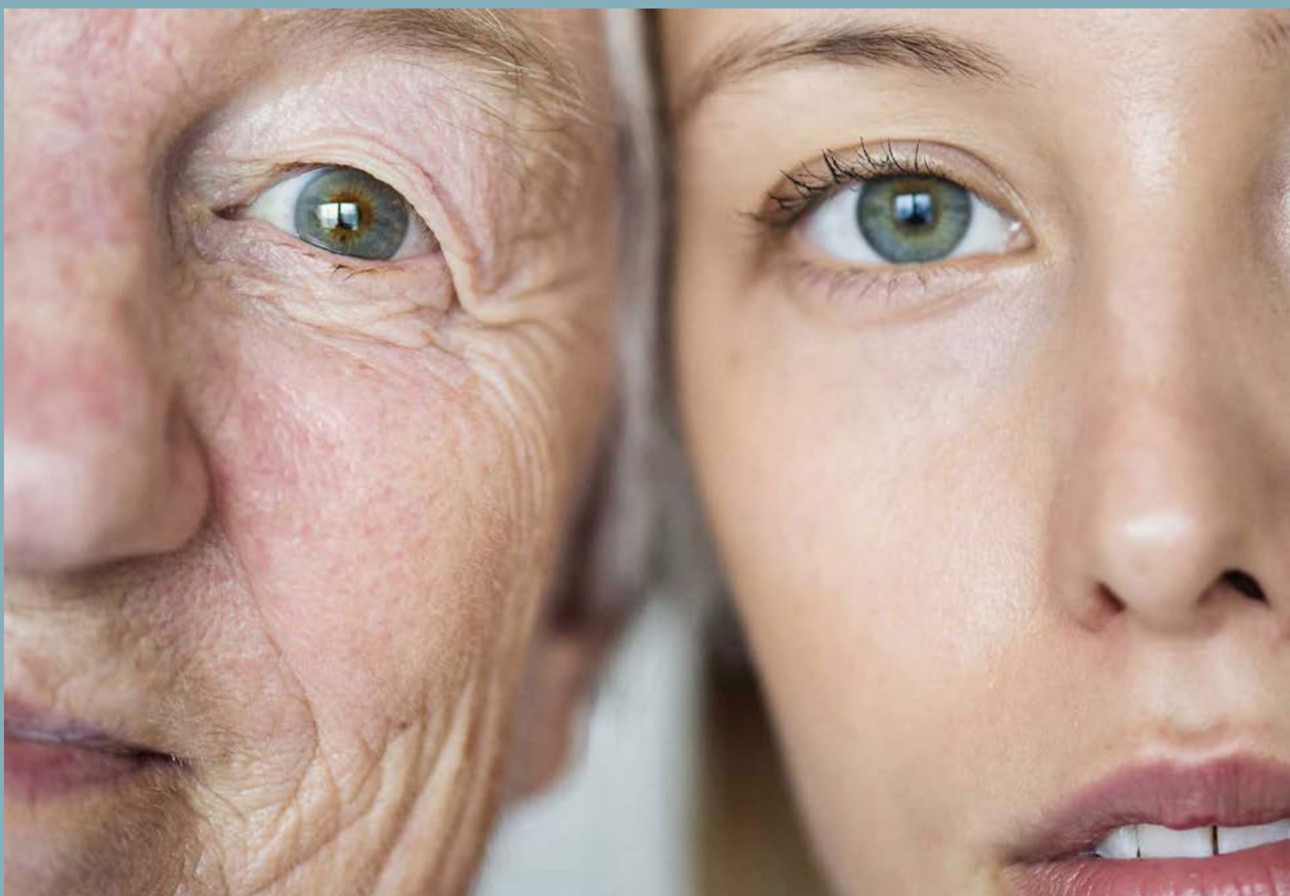
Biome Australia Limited

ACN 627 364 014

2019 Financial Statements



biomeaustralia.com

Contents

For the Year Ended 30 June 2019

Directors' Report

30 June 2019

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial period ended 30 June 2019.

The Company was incorporated on 6 July 2018, these financial statements comprise the period since incorporation.

Directors

The names of the directors in office at any time during, or since the end of, the period are:

Dr Jaroslav Haman Boublik	(appointed on 6 July 2018)
Douglas Chee Yong Loh	(appointed on 6 July 2018)
Blair William Brabin Norfolk	(appointed on 6 July 2018)
Rodney William Unsworth	(appointed on 6 July 2018)
Michael Sven Ola Oredsson	(appointed on 31 August 2018)

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group during the financial period were developing, manufacturing and distributing innovative evidence-based products linking the gut and human health through the Group owned brands:

- Activated Nutrients ®, a range of completely organic, plant-based, all-in-one nutritional products; and
- Activated Probiotics ®, a first-of-its-kind range of clinically-backed precision probiotics.

Apart from the matters noted below under "significant changes in state of affairs", there was no significant change in the nature of these activities occurred during the period.

Review of operations

The consolidated loss of the Group amounted to $ (2,011,986).

Significant changes in state of affairs

During the period, the Group raised additional capital and acquired the business trading as Activated Nutrients and commenced a strategy to develop and grow the business.

Aside from the above, there have been no other significant changes in the state of affairs of entities in the Group during the period.

Matters or circumstances arising after the end of the year

Subsequent to year end the Group has raised over $1,172,338 of additional capital and $290,000 via convertible notes to continue to develop the business in line with its strategy.

Apart from this, no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Directors' Report

30 June 2019

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental matters

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Dividends paid or recommended

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

Directors' Report
30 June 2019

Information on directors

Dr Jaroslav Haman Boublik	Director, Chief Science Officer Consultant to the nutritional R&D sector and researcher with over 30 years of experience in nutritional and complementary medicine. Dr. JB is Chief Scientist of LeafCann Group Pty Ltd and CEO of LeafCann Group Research & Advisory. He has published multiple peer-reviewed scientific articles.
Douglas Chee Yong Loh	Director, Finance Over 30 years of advisory, accounting and finance, company management and investment management experience. 19 years as founding member of Acorn Capital and held positions as Portfolio Manager, Head of Equities, CFO, COO and Director. Douglas is also Chairman of DXN Limited, an ASX listed pre-fabricated modular data centre manufacturer, builder and operator.
Special Responsibilities	Company Secretary
Blair William Brabin Norfolk	Director, Founder and COO Over 12 years of global pharmaceutical and FMCG experience as management and executive. Since founding the business in 2013, Blair has recruited the people, secured funding, products and IP and managed key relationships. Blair has strong relationships in media, pharmacy and manufacturing. Blair has a significant public profile as a health advocate and speaks at conferences and panels from Mental health to general wellbeing.
Rodney William Unsworth	Chairman Over 40 years of global pharmaceutical industry experience in management, executive, investment and advisory roles in manufacturing, research, sales and marketing in leading companies in Australia and Asia, including Pharmacia, Schering Plough and Bausch + Lomb.
Michael Sven Ola Oredsson	Director, CEO 30 years global FMCG, pharmaceutical and biotech experience. 20 years as CEO of Consumer Health and Biotech companies in Europe and Australia, CEO of Probi AB 2007-2013, now the fifth largest probiotics company in the world.

Company secretary

Douglas Chee Yong Loh.

Douglas Chee Yong Loh has started his career as an accounting & finance and taxation lecturer at Monash University, Clayton. He is a current Director of the Company, a CPA and a member of the AICD with over 30 years of advisory, accounting and finance, company management and investment management experience. Mr.Loh has been the company secretary since incorporation.

Directors' Report
30 June 2019

Meetings of directors

During the financial period, 39 meetings of directors (including committees of directors) were held. Attendances by each director during the period were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr Jaroslav Haman Boublik	36	34	2	2	1	1
Douglas Chee Yong Loh	36	36	2	2	1	1
Blair William Brabin Norfolk	36	34	2	2	1	1
Rodney William Unsworth	36	32	2	2	1	1
Michael Sven Ola Oredsson	36	34	2	2	1	1

Options

Unissued shares under option

At the date of this report, the unissued ordinary shares of Biome Australia Limited and Controlled Entities under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
08 February 2019	30 June 2021	0.06	15,000,000
08 February 2019	30 June 2022	0.09	15,000,000
08 February 2019	30 June 2023	0.12	15,000,000
			45,000,000

No issue right for option holders

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or a controlled entity.

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been an officer or auditor of Biome Australia Limited and Controlled Entities.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the entity or intervene in any proceedings to which the entity is a partly for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

Directors' Report
30 June 2019

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the period ended 30 June 2019 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ....
Douglas Chee Yong Loh

Dated this 26th day of November 2019

JTP | JTP ASSURANCE

10th Floor, 446 Collins Street
Melbourne, VIC 3000
P.O. Box 627, Collins Street West
VIC 8007

T: +61 3 9602 1494
F: +61 3 9602 3606
E: audit@jtpassurance.com.au
www.jtpassurance.com.au

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BIOME AUSTRALIA LIMITED
ABN: 51 627 364 014

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

JTP Assurance

JTP ASSURANCE
Chartered Accountants

W. Tarrant

WAYNE TARRANT
Partner

Signed at Melbourne this 26th day of November 2019

Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 30 June 2019

	Note	2019 $
Sales revenue	5	386,598
Cost of sales		(165,107)
Gross profit		221,491
Other income	5	1,049
Distribution costs		(34,402)
Sales and Marketing expenses		(737,884)
Occupancy costs		(115,216)
Corporate and Administrative expenses		(308,863)
Consulting fees		(406,335)
Legal expenses		(23,213)
Insurance		(17,913)
Travel expenses		(162,202)
Finance expenses	6	(4,323)
IT expenses		(19,028)
Research and Development		(118,487)
Share option expenses		(174,000)
Other expenses		(112,660)
(Loss)/Profit before income tax		(2,011,986)
Income tax expense	8	-
(Loss)/Profit for the period		(2,011,986)
Other comprehensive income for the year, net of tax		-
Total comprehensive (loss)/income for the year attributable to the members		(2,011,986)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2019

	Note	2019 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	9	**480,301**
Trade and other receivables	10	**250,464**
Inventories	11	**451,972**
Current tax receivable		**485**
Other assets	13	**112,250**
TOTAL CURRENT ASSETS		**1,295,472**
NON-CURRENT ASSETS		
Intangible assets	12	**520,000**
TOTAL NON-CURRENT ASSETS		**520,000**
TOTAL ASSETS		**1,815,472**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	14	**374,871**
Short-term provisions - employee entitlements		**52,922**
Other liabilities	16	**140,760**
TOTAL CURRENT LIABILITIES		**568,553**
NON-CURRENT LIABILITIES		
Borrowings	15	**42,283**
TOTAL NON-CURRENT LIABILITIES		**42,283**
TOTAL LIABILITIES		**610,836**
NET ASSETS		**1,204,636**
EQUITY		
Issued capital	17	**3,042,622**
Reserves - share options		**174,000**
Retained earnings/(accumulated losses)		**(2,011,986)**
Total equity attributable to equity holders of the Company		**1,204,636**
TOTAL EQUITY		**1,204,636**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Period Ended 30 June 2019

2019

	Ordinary Shares	Retained Earnings/ (Accumulated loss)	Option reserve	Total
	$	$	$	$
Balance at 6 July 2018	-	-	-	-
Profit attributable to the members	-	(2,011,986)	-	(2,011,986)
Shares issued during the year	3,090,214	-	-	3,090,214
Share capital raising fees	(47,592)	-	-	(47,592)
Issue of share options	-	-	174,000	174,000
Balance at 30 June 2019	3,042,622	(2,011,986)	174,000	1,204,636

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Period Ended 30 June 2019

	Note	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers		136,134
Payments to suppliers and employees		(2,268,058)
Interest paid		(272)
Net cash provided by/(used in) operating activities	26	(2,132,196)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangibles		(520,000)
Net cash provided by/(used in) investing activities		(520,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issue of shares		3,090,214
Proceeds from borrowings		42,283
Net cash provided by/(used in) financing activities		3,132,497
Net increase/(decrease) in cash and cash equivalents held		480,301
Cash and cash equivalents at end of the period	9	480,301

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial report covers Biome Australia Limited and its controlled entities ('the Group'). Biome Australia Limited and Controlled Entities is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 26 November 2019.

The Company was incorporated on 6 July 2018, these financial statements comprise the period since incorporation.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001.*

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Going concern

During the financial period ended 30 June 2019 the Group incurred an operating loss of $2,011,986 and a negative cash outflow from operating activities of $2,132,196.

The financial statements have been prepared on a 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. The ability of the Group to continue as a going concern is dependent on securing additional funding through new or existing investors to fund its operational and marketing activities. These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that the Group will continue as a going concern. As a result, the financial statements has been prepared on a going concern basis. However, should the future fundraising be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of assets and classification of liabilities that might be necessary should the Group not continue as a going concern.

3 Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 22 to the financial statements.

3 Summary of Significant Accounting Policies (continued)

(b) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(c) Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

3 Summary of Significant Accounting Policies (continued)

(c) Revenue from contracts with customers (continued)

Specific revenue streams (continued)

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Research and development tax incentive grants

Research and Development tax incentive grants are recognised when they are probable of recovery and the amounts can be reliably measured, which presently is in the year when the claim is received.

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.

(d) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

3 Summary of Significant Accounting Policies (continued)

(d) Income Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(h) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

3 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

Hedge accounting

The group does not enter into foreign exchange contracts.

3 Summary of Significant Accounting Policies (continued)

(i) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(j) Intangibles

Trademarks/ Business and Domain Names

Trademarks/business and domain names are initially recognised at cost of acquisition. They have an indefinite life and are tested annually for impairment and carried at cost less any impairment losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(l) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB117 *'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

3 Summary of Significant Accounting Policies (continued)

(l) Leases (continued)

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 will adopt this standard from 1 July 2019 and the future commitment value of the Right of Use Asset is yet to be determined - refer to note 18(a).

(m) Share-based payments

The Group operates equity-settled share-based payment share and option schemes. The fair value of the equity is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a industry standard pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(n) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

3 Summary of Significant Accounting Policies (continued)

(o) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

(p) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

Refer to note 3(l) Leases.

4 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key estimates - impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Key estimates - provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

4 Critical Accounting Estimates and Judgments (continued)

Key estimates - income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Key estimates - recovery of deferred tax assets

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

5 Revenue and Other Income

Revenue from continuing operations

	2019
	$
Revenue from contracts with customers	
Revenue from other sources	
- Sale of goods	402,179
- Settlement discount given	(15,581)
	386,598

	2019
	$
Other Income	
- Interest income	1,049

6 Finance Income and Expenses

	2019
	$
Interest expense	1,321
Bank Charges	3,002
	4,323

7 Result for the Year

The result for the year includes the following specific expenses:

	2019
	$
Expenses:	
Employee benefit expenses	769,528
Occupancy costs	115,216

8 Income Tax Expense

	2019
	$
Numerical reconciliation of income tax expense and tax at the statutory rate	
Opening balance	(2,011,986)
Tax at the statutory tax rate of 27.5%	(553,296)
Current year tax losses not recognised	(553,296)
Income tax expense	(1,106,592)

	2019
	$
Tax losses not recognised	
Unused tax losses for which no deferred tax asset has been recognised	2,011,986
Potential tax benefit at 27.5%	(553,296)

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed and the Group generates sufficient taxable earnings.

9 Cash and Cash Equivalents

	2019
	$
Cash at bank and in hand	480,301

10 Trade and Other Receivables

	2019
	$
CURRENT	
Trade receivables	209,972
GST receivable	40,492
	250,464

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

10 Trade and Other Receivables (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

(a) Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2019 includes expected credit losses incorporating forward looking information.

11 Inventories

	2019
	$
CURRENT	
At cost:	
Raw materials	22,706
Goods in transit	266,890
Packaging	26,850
Finished Goods	135,526
	451,972

Write downs of inventories to net realisable value during the period were $ NIL.

12 Intangible Assets

Trademarks/ Business and Domain names	
Cost	520,000

(a) Movements in carrying amounts of intangible assets

	Trademarks/ Business and Domain names
	$
Balance at the beginning of the year	-
Additions	520,000
Closing value at 30 June 2019	520,000

Notes to the Financial Statements

For the Year Ended 30 June 2019

13 Other non-financial assets

	2019
	$
CURRENT	
Prepayment	42,250
Shareholder application funds receivable	70,000
	112,250

14 Trade and Other Payables

	2019
	$
CURRENT	
Trade payables	306,145
Sundry payables and accrued expenses	68,726
	374,871

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

15 Borrowings

	2019
	$
NON-CURRENT	
Secured liabilities:	
Related party payables - Director related entity	42,283

16 Other Liabilities

	2019
	$
CURRENT	
Sundry Creditors and Accruals	140,760

17 Issued Capital

	2019
	$
169,671,493 Ordinary shares	3,042,622

17 Issued Capital (continued)

	Date	Shares	Issue price	$
Details				
Issue of shares upon incorporation	6 July 2018	2	$1	2
Issue of shares	22 August 2018	34,999,998	$0.000001	35
Issue of shares	18 October 2018	15,000,000	$0.000001	15
Issue of shares	16 April 2019	16,666,666	$0.000001	17
Issue of shares to settle outstanding creditors	6 May 2019	300,000	$0.03	9,000
Issue of shares	6 May 2019	87,487,092	$0.03	2,624,613
Issue of shares	31 May 2019	833,333	$0.03	25,000
Issue of shares	31 May 2019	9,180,000	$0.03	275,400
Issue of shares to settle outstanding creditor	31 May 2019	204,402	$0.03	6,132
Issue of shares	31 May 2019	5,000,000	$0.03	150,000
Share capital raising fees		-		(47,592)
		169,671,493		**3,042,622**

(a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

18 Capital and Leasing Commitments

(a) Operating Leases

The Group currently has an operating lease for premises for $8,500 per month, with 6 month renewal terms, however either party can terminate the lease with 3 months notice.

18 Capital and Leasing Commitments (continued)

(b) Contracted Commitments

The Group does not have any contracted commitments as at 30 June 2019.

19 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Lease liabilities

19 Financial Risk Management (continued)

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and where applicable, the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due.

The Group manages its liquidity needs by carefully monitoring, where applicable, scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

19 Financial Risk Management (continued)

Credit risk (continued)

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas purchases, which are primarily denominated in Euro and US dollars.

To mitigate the Group's exposure to foreign currency risk, non-Australian Dollar cash flows are monitored in accordance with the Group‘s risk management policies.

The Group does not enter into forward exchange contracts. The implications of this decision are that realised and unrealised foreign exchange gains and losses are recognised in profit and loss in the period in which they occur.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

Trade payables in Euro (AUD $ 266,890).

(ii) Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(iii) Price risk

The Group is not exposed to any significant price risk.

20 Key Management Personnel Remuneration

Directors

Dr Jaroslav Haman Boublik

Douglas Chee Yong Loh

Blair William Brabin Norfolk

20 Key Management Personnel Remuneration (continued)

Directors (continued)

Rodney William Unsworth

Michael Sven Ola Oredsson

Key management personnel remuneration included within employee expenses for the period is shown below:

	2019
	$
Short-term employee benefits	194,165
Post-employment benefits	-

21 Auditors' Remuneration

During the financial year the following fees were paid or payable for services provided by JTP Assurance, the auditor of the Group:

	2019
	$
Audit services - JTP Assurance	
- auditing or reviewing the financial statements	10,000

22 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)*
		2019
Subsidiaries:		
Biome Australia Trading Pty Ltd	Melbourne, Victoria, Australia	100
Biome Australia IP Pty Ltd	Melbourne, Victoria, Australia	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Notes to the Financial Statements

For the Year Ended 30 June 2019

23 Parent entity

	2019
	$
Statement of Financial Position	
Assets	
Current assets	537,080
Non-current assets (net of impairment provision)	790,491
Total Assets	1,327,571
Liabilities	
Current liabilities	1,199
Non-current liabilities	-
Total Liabilities	1,199
Equity	
Issued capital	3,042,622
Retained earnings/(accumulated loss)	(1,890,250)
Option reserve	174,000
Total Equity	1,326,372
Statement of Profit or Loss and Other Comprehensive Income	
Total profit or loss for the year	(1,890,250)
Total comprehensive income	(1,890,250)

24 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2019.

25 Related Parties

(a) The Group's main related parties are as follows:

Key management personnel - refer to Note 20.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

There were no transactions with related parties during the year other than acquisition of the business from an entity controlled by several of the directors as disclosed in Note 28.

(c) Loans to/from related parties

Unsecured loans are made to related parties on an arm's length basis. Loans are unsecured and repayable in cash.

Notes to the Financial Statements

For the Year Ended 30 June 2019

25 Related Parties (continued)

(c) Loans to/from related parties (continued)

	2019
	$
Loan payable to director related entity	42,283
Shareholder application funds receivable	70,000

26 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2019
	$
Loss for the year	(2,011,986)
- share options expensed	174,000
Changes in assets and liabilities:	
- (increase)/decrease in trade and other receivables	(250,464)
- (increase)/decrease in other assets	(112,735)
- (increase)/decrease in inventories	(451,972)
- increase/(decrease) in trade and other payables	515,631
- increase/(decrease) in provisions	52,922
Cashflows from operations	(2,132,196)

27 Options and Performance Rights

A summary of the Company options issued is as follows:

	Grant date	Expiry Date	Exercise Price $	Start of the year	Granted during the year	Expired/ Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Options								
Tranche 1	8 Feb 2019	30 Jun 2021	0.06	-	15,000,000	-	15,000,000	15,000,000
Tranche 2	8 Feb 2019	30 Jun 2022	0.09	-	15,000,000	-	15,000,000	15,000,000
Tranche 3	8 Feb 2019	30 Jun 2023	0.12	-	15,000,000	-	15,000,000	15,000,000
Performance Rights								
Tranche 1	8 Feb 2019	30 Jun 2019	-	-	16,666,666	(16,666,666)	-	-
Tranche 2	8 Feb 2019	30 Jun 2020	-	-	16,666,666	-	16,666,666	-
Tranche 3	8 Feb 2019	-	-	-	16,666,667	-	16,666,667	-

Share options granted carry no rights to dividends and no voting rights. The options fully vested on issue. Valuation of the options has been undertaken using an industry standard pricing model. Refer below for further information.

The group has issued an aggregate of 50,000,000 performance rights to management, directors and advisors of the group. These performance rights will become fully paid ordinary shares when group wide performance milestones are

Notes to the Financial Statements

For the Year Ended 30 June 2019

27 Options and Performance Rights (continued)

met and the performance rights vest but until then, will not confer any voting or dividend rights to the holders. None of the performance rights have currently vested or are expected to vest in the next 12 months hence no valuation has been undertaken in relation to these shares.

The weighted average fair value of the options granted during the period is shown below. These values were calculated by using a Black-Scholes option pricing model applying the following inputs:

The share price at 30 June 2019 was $ 0.04.

	Tranche 1	**Tranche 2**	**Tranche 3**
	$	**$**	**$**
Grant Date	8 Feb 2019	8 Feb 2019	8 Feb 2019
Expiry Date	30 Jun 2021	30 June 2022	30 June 2023
Spot rate	0.03	0.03	0.03
Exercise price	0.06	0.09	0.12
Weighted average life of option	2.39178	3.39178	4.39178
Expected share price volatility	55.35%	55.35%	55.35%
Dividend yield	-	-	-
Risk free rate	0.975%	0.975%	0.975%
Fair value at grant date	0.00422	0.00366	0.00372

28 Business Combinations

Acquisitions

On 22 August 2018, the Group acquired the Business and Business assets trading as Activated Nutrients from Health Science Innovation Holdings Pty Ltd as follows:

	2019
	$
Trademarks, Business and Domain names	**520,000**
Inventory	**55,419**
Fair value of net assets acquired	**575,419**
Fair value of consideration	
Cash	**-**
Liabilities incurred	**575,419**
	575,419

29 Events Occurring After the Reporting Date

Subsequent to year end the Group has raised over $1,172,338 of additional capital and $290,000 via convertible notes to continue to develop the business in line with its strategy.

Apart from this, no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

30 Statutory Information

The registered office of the company is:
Level 26, 530 Collins Street
Melbourne VIC 3000

The principal place of business is:
'Professional Chambers'
Level 3, 120 Collins Street
Melbourne VIC 3000

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ....
Douglas Chee Yong Loh

Dated 26 November 2019

JTP | JTP ASSURANCE

10th Floor, 446 Collins Street
Melbourne, VIC 3000
P.O. Box 627, Collins Street West
VIC 8007

T: +61 3 9602 1494
F: +61 3 9602 3606
E: audit@jtpassurance.com.au
www.jtpassurance.com.au

BIOME AUSTRALIA LIMITED
ABN: 51 627 364 014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOME AUSTRALIA LIMITED

Report on the audit of the financial report

Opinion

We have audited the accompanying financial report, being a general purpose financial report of Biome Australia Limited (the Company) and Controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the period 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 audit opinion

Material Uncertainty Related to Going Concern

We draw your attention to Note 2 (Going Concern) in the financial report, which indicates the Group incurred an operating loss of $2,011,986 and a negative cash outflow from operating activities of $2,132,196.

As stated in Note 2, this event or condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 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 accordingly 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, directors are responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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/Home.aspx. This description forms part of our auditor's report.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

JTP Assurance

W. Tarrant

JTP ASSURANCE
Chartered Accountants

WAYNE TARRANT
Partner

Signed at Melbourne this 26th day of November 2019

Corporate Directory

Directors

Dr Jaroslav Haman Boublik

Douglas Chee Yong Loh

Blair William Brabin Vega Norfolk

Rodney William Unsworth

Michael Sven Ola Oredsson

Registered Office

Biome Australia Limited

Level 26, 530 Collins Street,
Melbourne Victoria 3000

Telephone: + 61 3 9017 5800

Email: activatedcorporate@activated.co

Website: www.biomeaustralia.com

Company Secretary

Douglas Chee Yong Loh

Principal Place Of Business

16 Dover Street,
Cremorne Victoria 3121

Share Registry

Automic Pty Ltd

Level 5, 126 Phillip Street
Sydney NSW 2000

Trade Mark Lawyers

Mills Oakley

Level 6, 530 Collins Street
Melbourne VIC 3000

Auditor

JTP Assurance

Level 10, 446 Collins Street
Melbourne VIC 3000

Accountants

Jeffrey Thomas & Partners,
Chartered Accountants

Level 10, 466 Collins Street
Melbourne VIC 3000

BIOME AUSTRALIA

Biome Australia Limited

Creators and distributors of Activated Probiotics®,

Activated Nutrients® and Activated x Performance™.

ACTIVATED PROBIOTICS®

ACTIVATED NUTRIENTS®

AXP™

biomeaustralia.com