

Biome Australia Limited and Controlled Entities

ABN 51 627 364 014

Financial Statements

For the Year Ended 30 June 2021

Biome Australia Limited and Controlled Entities

ABN 51 627 364 014

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For the Year Ended 30 June 2021

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Biome Australia Limited and Controlled Entities

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Directors' Report

30 June 2021

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2021.

Directors

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

Dr Jaroslav Haman Boublik	
Douglas Chee Yong Loh	
Blair William Brabin Vega Norfolk	
Ilario Thomas Faenza	(appointed 18 August 2020)
Dominque Fisher	(appointed 12 August 2021)
Rodney William Unsworth	(resigned 14 December 2020)
Michael Sven Ola Oredsson	(resigned 17 December 2020)

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

Principal activities

The principal activities of the Group during the financial year were researching, 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;
- Activated Probiotics ®, a first-of-its-kind range of clinically-backed precision probiotics; and
- AXP™, certified range of performance products for athletes.

The Group distributes its products through two channels in Australia, community pharmacies and independent health practitioners. In international markets the Group distributes and markets its Activated Probiotics range in the United Kingdom and New Zealand through independent health practitioners.

During the year, the Group finalised Clinical trial agreements on two of its products. The first trial, being conducted in collaboration with La Trobe University is on sub-threshold depression, using Biome Lift Probiotic™. This clinical trial is currently in participant recruitment phase. The second clinical trial to be conducted in collaboration with Federation University will be on children's immune health. This trial is expected to commence in early calendar 2022.

A mass marketing campaign has been implemented in FY22 to support the growth of brand and sales revenue this financial year. This includes national TV advertising campaigns, magazines and outdoor advertising.

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 year.

Operating results

The consolidated loss of the Group amounted to \$ 5,381,116 (2020: \$3,162,163).

The results reflect the ongoing significant investment in developing and establishing the brand and product recognition of the business in that financial year. In a very difficult period with Covid being a significant factor in the business environment, the Group still achieved a healthy increase in Sales Revenue (more than 168%). Through the difficult period, the business continued its strategy of increasing brand recognition and capturing further market share which was only possible by

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Directors' Report

30 June 2021

Operating results (continued)

collaborating with staff and management, which resulted in the establishment of the employee share plan. Ongoing support from existing shareholders enabled the Group to continue its operations to achieve the reported results.

The Group also identified and consolidated its growth in the new channel of the practitioner markets. It has further grown its customer base and distribution networks through the engagement for several key customers. During the year, the Group made its first overseas sales to wholesale distributors in the UK and New Zealand. The Group continues to grow and work with its international partners to further expand the brand and product recognition internationally. For the year ended 30 June 2021, overseas sales accounted for 11% of total sales.

The Group's continued investment into its development of products has also seen the launch of two new Activated Probiotics and two new Activated Nutrients products.

Significant changes in state of affairs

There were no significant changes in the state of affairs of entities in the Group during the year. The Group raised additional capital as required and adapted to unprecedented business environmental factors whilst continuing to grow the business through its core strategy.

Matters or circumstances arising after the end of the year

Subsequent to year end, the group issued 10,768,959 performance rights subject to shareholder's approval.

Dominique Fisher was appointed non-executive director as at 12 August 2021.

The group completed its pre-IPO funding, with the final applications for \$1.7m of its pre-IPO raising completed this month. It signed an agreement with Canaccord Genuity Australia to be the Lead Manager for the ASX listing of the Group, expected by the end of November 2021.

The launch of a strategic distribution partnership with one of the largest pharmacy banner Groups in Australia continues to translate into sales growth. The Company is confident of doubling sales for the quarter ended September 2021, compared to the same period in 2020.

Apart from this, no other matters or circumstances have arisen since the end of the financial year 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.

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 year. No recommendation for payment of dividends has been made.

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Directors' Report

30 June 2021

Information on directors

Dr Jaroslav Haman Boublik	<p>Director, Chief Science Advisor</p> <p>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.</p>
Douglas Chee Yong Loh	<p>Director, Finance</p> <p>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 was Chairman of DXN Limited, an ASX listed pre-fabricated modular data centre manufacturer, builder and operator.</p>
Special Responsibilities	<p>Corporate secretary until 27 January 2021</p>
Blair William Brabin Vega Norfolk	<p>Director, Founder and MD</p> <p>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.</p>
Ilario Thomas Faenza	<p>Chairman</p> <p>M&A, PE & investment banking specialist with over 30 years experience in a range of high growth industries. Ilario has successfully started multiple companies and provided advisory, specialist M&A, due diligence, structuring and fund raising assistance to numerous businesses. Ilario has raised > \$100M over the past 15 years for high growth companies and actively assists management with execution of strategy, commercial negotiations, IPO's and exit strategies.</p>
Dominique Fisher	<p>Non Executive Director</p> <p>Ms Fisher couples her experience in tech driven businesses with a strong focus on risk mitigation and financial management which has led to her working in across a wide range of sectors in both executive and non executive roles. Ms Fisher has an extensive non-executive career, having served on ASX listed companies, IAG, Circadian Technologies/ Opthea , Pacific Brands and Trimantium GrowthOps (2 as Chair) including two IPOs (IAG and TGO); numerous private companies including Integrity Life Group, various government and private advisory boards at both state and federal for both major political parties, Geoscape Australia and government agencies including the Sydney Opera House , Australia Post and the Australian Council for the Arts</p>

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Directors' Report

30 June 2021

Company secretary

George Lazarou

George Lazarou held the position of Company secretary from 27 January 2021. He is a qualified Chartered Accountant with over 25 years' experience, including five years as a partner of a mid-tier accounting firm, specialising in the areas of advisory and corporate services. Mr Lazarou has extensive skills in the areas of corporate services, due diligence, independent expert reports, mergers & acquisitions and valuations.

Mr Lazarou has been Chairman, Non-Executive Director and Company Secretary of a number of ASX listed companies since 2006.

Meetings of directors

During the financial year, 20 meetings of directors (including committees of directors) were held. Attendances by each director during the year 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	16	16	2	2	2	2
Douglas Chee Yong Loh	16	16	2	2	-	-
Blair William Brabin Vega Norfolk	16	16	-	-	-	-
Rodney William Unsworth	7	6	1	1	1	1
Michael Sven Ola Oredsson	7	6	-	-	-	-
Ilario Thomas Faenza	13	12	1	1	2	2

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
01 September 2020	31 October 2021	\$0.10	21,045,450
08 February 2019	30 June 2022	\$0.09	4,500,000
08 February 2019	30 June 2023	\$0.12	4,500,000
			<hr/> <hr/> 30,045,450

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.

Biome Australia Limited and Controlled Entities

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Directors' Report

30 June 2021

Indemnification and insurance of officers and auditors

The officers of Biome Australia Limited are indemnified by the Company. Every officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer in defending any proceedings in which judgement is given in his favour or in which he is acquitted or in connection with any application in relation to any such proceedings in which relief is under the Act Law granted to him by the Court. During the year, the Company paid a total of \$22,521 in premiums for officers liability insurance.

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 party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2021 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:
Ilario Thomas Faenza

Dated this 31st day of August 2021

**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 2021 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
Chartered Accountants



WAYNE TARRANT
Partner

Signed at Melbourne this 31st August 2021

Biome Australia Limited 2021

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Statement of Profit or Loss and Other Comprehensive Income For the Period Ended 30 June 2021

		2021	2020
	Note	\$	\$
Sales revenue	5	2,318,402	866,136
Cost of goods sold		<u>(1,139,264)</u>	<u>(617,221)</u>
Gross profit		1,179,138	248,915
Other income	5	431,423	336,221
Sales and marketing expenses	7	(3,389,769)	(1,935,179)
Corporate and administrative expenses	7	(3,073,540)	(813,448)
Occupancy costs		(132,617)	(88,095)
Finance expenses	6	(76,109)	(64,845)
Depreciation, amortisation and impairments	7	(107,294)	(537,703)
Other expenses		<u>(212,348)</u>	<u>(308,029)</u>
Loss before income tax		(5,381,116)	(3,162,163)
Income tax expense	8	-	-
Loss for the period		<u>(5,381,116)</u>	<u>(3,162,163)</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the members		<u>(5,381,116)</u>	<u>(3,162,163)</u>

The accompanying notes form part of these financial statements.

Biome Australia Limited 2021

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Statement of Financial Position As At 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	609,978	448,867
Trade and other receivables	10	738,214	276,993
Inventories	11	1,020,895	932,475
Current tax receivable		609	679
Other assets	14	24,634	125,437
TOTAL CURRENT ASSETS		2,394,330	1,784,451
NON-CURRENT ASSETS			
Property, plant and equipment	12	105,593	155,471
Intangible assets	13	-	6,719
TOTAL NON-CURRENT ASSETS		105,593	162,190
TOTAL ASSETS		2,499,923	1,946,641
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	705,697	403,978
Borrowings	16	15,735	16,350
Short-term provisions - employee entitlements		133,598	88,594
Other financial liabilities		83	-
TOTAL CURRENT LIABILITIES		855,113	508,922
NON-CURRENT LIABILITIES			
Borrowings	16	64,682	488,183
TOTAL NON-CURRENT LIABILITIES		64,682	488,183
TOTAL LIABILITIES		919,795	997,105
NET ASSETS		1,580,128	949,536
EQUITY			
Issued capital	17	9,830,488	5,877,185
Subscribed share capital		-	72,500
Reserves	18	1,643,175	52,200
Accumulated losses		(9,893,535)	(5,052,349)
TOTAL EQUITY		1,580,128	949,536

The accompanying notes form part of these financial statements.

Biome Australia Limited 2021

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Statement of Changes in Equity

For the Period Ended 30 June 2021

2021

	Ordinary Shares	Subscribed share capital	Accumulated losses	Option reserve	Performance rights	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	5,877,185	72,500	(5,052,349)	52,200	-	949,536
Loss attributable to the members	-	-	(5,381,116)	-	-	(5,381,116)
Shares issued during the year	3,576,673	-	-	-	-	3,576,673
Share capital raising fees	(45,870)	-	-	-	-	(45,870)
Issue of share options	-	-	-	48,405	-	48,405
Issue of performance rights	-	-	-	-	2,432,500	2,432,500
Options expired	-	-	17,400	(17,400)	-	-
Performance rights expired	-	-	95,000	-	(95,000)	-
Cancellation of performance rights	-	-	427,530	-	(427,530)	-
Exercise of performance rights	350,000	-	-	-	(350,000)	-
Transfer from subscribed share capital to ordinary shares	72,500	(72,500)	-	-	-	-
Balance at 30 June 2021	9,830,488	-	(9,893,535)	83,205	1,559,970	1,580,128

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Period Ended 30 June 2021

2020

	Ordinary Shares	Subscribed share capital	Accumulated losses	Option reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	2,972,622	70,000	(2,011,986)	174,000	1,204,636
Loss attributable to the members	-	-	(3,162,163)	-	(3,162,163)
Shares issued during the year	3,007,785	72,500	-	-	3,080,285
Share capital raising fees	(173,222)	-	-	-	(173,222)
Cancellation of options	-	-	121,800	(121,800)	-
Transfer from subscribed share capital to ordinary shares	70,000	(70,000)	-	-	-
Balance at 30 June 2020	5,877,185	72,500	(5,052,349)	52,200	949,536

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Period Ended 30 June 2021

	2021	2020
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	1,893,028	839,220
Payments to suppliers and employees	(4,652,432)	(4,363,295)
R&D tax refund	179,257	136,619
ATO COVID 19 incentives	124,000	166,000
Export Market Development Grant	87,419	-
Interest paid	(24,812)	-
Interest received	406	602
Net cash provided by/(used in) operating activities	27 <u>(2,393,134)</u>	<u>(3,220,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	39,000	-
Purchase of intangibles	-	(7,028)
Purchase of property, plant and equipment	(67,765)	(172,865)
Net cash provided by/(used in) investing activities	<u>(28,765)</u>	<u>(179,893)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issue of shares	2,636,292	3,080,285
Proceeds from borrowings	266,581	462,250
Repayment of borrowings	(273,993)	-
Payment of capital raising fees	(45,870)	(173,222)
Net cash provided by/(used in) financing activities	<u>2,583,010</u>	<u>3,369,313</u>
Net increase/(decrease) in cash and cash equivalents held	161,111	(31,434)
Cash and cash equivalents at beginning of year	448,867	480,301
Cash and cash equivalents at end of financial year	9 <u>609,978</u>	<u>448,867</u>

The accompanying notes form part of these financial statements.

Biome Australia Limited 2021

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Notes to the Financial Statements For the Year Ended 30 June 2021

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 31 August 2021.

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 2021 the Group incurred an operating loss of \$5,381,116 (2020: \$3,162,163) and a negative cash outflow from operating activities of \$2,393,134 (2020: \$3,220,854).

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 23 to the financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(b) 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:

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. Revenue is recorded net of returns, rebates and discounts.

Research and development tax incentive grants/Export Market Development Grants

Research and Development tax incentive grants and Export Market Development 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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(c) 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 year 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.

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.

Tax consolidation legislation

Biome Australia Limited and Controlled Entities and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(c) Income Tax (continued)

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

(d) 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.

(e) 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.

(f) 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.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(g) Property, plant and equipment (continued)

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Furniture, Fixtures and Fittings	50%
Motor Vehicles	25%
Leasehold improvements	30%
Medical and diagnostic equipment	50%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(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).

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.

Notes to the Financial Statements
For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

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.

(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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(j) Intangibles

Trademarks/ Business and Domain Names

Acquired trademarks/business and domain names are initially recognised at cost of acquisition. They are amortised over a useful life of 20 years and are tested annually for impairment and carried at cost less any impairment losses. Costs relating to registering and/or renewal of trademarks/business and domain names are expensed as incurred.

(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

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(l) Leases (continued)

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(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 an 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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Summary of Significant Accounting Policies (continued)

(o) 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.

(p) Reclassification of comparatives

Comparative balances have been remapped or reclassified where relevant to aid understandability. The net prior year result or position of the Group has not changed as a result of these adjustments.

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 - 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.

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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

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

	2021	2020
	\$	\$
Sales - Domestic	2,061,861	830,286
Sales - International	245,028	13,784
Other sales	11,513	22,066
	<u>2,318,402</u>	<u>866,136</u>

Other Income

Other Income		
- Interest income	254	602
- Partner contributions to clinical trials	36,000	-
- R&D tax refund	179,257	136,619
- Government COVID-19 incentives	124,000	199,000
- Export Market Development Grant	87,419	-
- Gain on sale of property, plant and equipment	4,493	-
	<u>431,423</u>	<u>336,221</u>

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Notes to the Financial Statements For the Year Ended 30 June 2021

6 Finance Income and Expenses

	2021	2020
	\$	\$
Interest expense	10,167	1,943
Interest expense on convertible notes	51,297	26,703
Settlement discount given	8,330	33,388
Bank charges	6,315	2,811
	<u>76,109</u>	<u>64,845</u>

7 Result for the Year

The result for the year includes the following specific expenses:

	2021	2020
	\$	\$
<i>Sales and marketing expenses</i>		
Employee costs	1,311,328	1,058,566
Marketing expenses	761,174	667,494
Travel expenses	217,558	155,538
Selling and distribution expenses	119,112	53,581
Share based payments	980,597	-
	<u>3,389,769</u>	<u>1,935,179</u>
<i>Corporate and administrative expenses</i>		
Employee costs	656,961	275,721
Consulting fees	234,563	208,884
Accounting fees	73,522	92,642
IT expenses	108,827	54,524
Insurance	32,668	35,560
Secretarial fees	29,286	40,254
Legal fees	6,323	24,747
Other administrative expenses	11,500	81,116
Share based payments	1,919,890	-
	<u>3,073,540</u>	<u>813,448</u>
<i>Depreciation, amortisation and impairments</i>		
Depreciation expense	86,683	17,394
Amortisation expense	20,611	309
Impairment loss	-	520,000
	<u>107,294</u>	<u>537,703</u>

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Notes to the Financial Statements For the Year Ended 30 June 2021

8 Income Tax Expense

	2021	2020
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss for the year	(5,381,116)	(3,162,163)
Tax at the statutory tax rate 26% (2020: 27.5%)	(1,399,090)	(869,595)
Tax effect of:		
Non-deductible impairment	-	143,000
R&D refund	(46,657)	(37,569)
R&D expenses	130,000	94,875
Non-assessable COVID-19 incentive	-	(27,500)
Share-based payments	754,127	-
Current year tax losses	(561,620)	(696,789)
Current year tax losses not recognised	561,620	696,789
Income tax expense	-	-
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	(6,402,958)	(4,317,677)
Potential tax benefit at 25% (2020: 26%)	1,600,739	1,122,596

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

	2021	2020
	\$	\$
Cash at bank and in hand	609,978	448,867
	609,978	448,867

10 Trade and Other Receivables

	2021	2020
	\$	\$
CURRENT		
Trade receivables	738,200	152,292
GST receivable	-	39,980
Government COVID-19 subsidies receivable	-	83,000
Other receivables	14	1,721
	738,214	276,993

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

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Notes to the Financial Statements For the Year Ended 30 June 2021

10 Trade and Other Receivables (continued)

nature of the balances.

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 2021 includes expected credit losses incorporating forward looking information.

11 Inventories

	2021	2020
	\$	\$
At cost:		
Finished Goods	1,249,483	1,167,027
Provision for slow moving and obsolete stock	(228,588)	(234,552)
	<u>1,020,895</u>	<u>932,475</u>

12 Property, plant and equipment

	2021	2020
	\$	\$
Furniture, fixtures and fittings		
At cost	-	7,526
Accumulated depreciation	-	(2,086)
Total furniture, fixtures and fittings	<u>-</u>	<u>5,440</u>
Motor vehicles		
At cost	135,067	132,345
Accumulated depreciation	(29,474)	(9,292)
Total motor vehicles	<u>105,593</u>	<u>123,053</u>
Leasehold Improvements		
At cost	-	19,752
Accumulated amortisation	-	(3,326)
Total leasehold improvements	<u>-</u>	<u>16,426</u>

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Notes to the Financial Statements For the Year Ended 30 June 2021

12 Property, plant and equipment (continued)

	2021 \$	2020 \$
Medical and diagnostic equipment		
At cost	-	13,242
Accumulated depreciation	-	(2,690)
Total medical and diagnostic equipment	<u>-</u>	<u>10,552</u>
Total property, plant and equipment	<u>105,593</u>	<u>155,471</u>

(a) Movements in carrying amounts of property, plant and equipment

	Furniture, Fixtures and Fittings \$	Motor Vehicles \$	Leasehold Improvement s \$	Medical and Diagnostic Equipment \$	Total \$
Year ended 30 June 2021					
Balance at the beginning of year	5,440	123,053	16,426	10,552	155,471
Additions	5,628	42,063	4,250	15,824	67,765
Disposals	-	(30,960)	-	-	(30,960)
Depreciation expense	(3,856)	(28,563)	(5,694)	(15,237)	(53,350)
Impairment	(7,212)	-	(14,982)	(11,139)	(33,333)
Balance at the end of the year	<u>-</u>	<u>105,593</u>	<u>-</u>	<u>-</u>	<u>105,593</u>
Year ended 30 June 2020					
Balance at the beginning of year	-	-	-	-	-
Additions	7,526	132,345	19,752	13,242	172,865
Depreciation expense	(2,086)	(9,292)	(3,326)	(2,690)	(17,394)
Balance at the end of the year	<u>5,440</u>	<u>123,053</u>	<u>16,426</u>	<u>10,552</u>	<u>155,471</u>

13 Intangible Assets

	2021 \$	2020 \$
Trademarks/ Business and Domain names		
Cost	-	527,028
Accumulated amortisation and impairment	-	(520,309)
Total Intangibles	<u>-</u>	<u>6,719</u>

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Notes to the Financial Statements For the Year Ended 30 June 2021

13 Intangible Assets (continued)

(a) Movements in carrying amounts of intangible assets

	Trademarks/ Business and Domain names \$
Year ended 30 June 2021	
Balance at the beginning of the year	6,719
Amortisation	<u>(6,719)</u>
Closing value at 30 June 2021	<u><u>-</u></u>
Year ended 30 June 2020	
Balance at the beginning of the year	520,000
Additions	7,028
Amortisation	(309)
Impairment expense	<u>(520,000)</u>
Closing value at 30 June 2020	<u><u>6,719</u></u>

14 Other non-financial assets

	2021 \$	2020 \$
CURRENT		
Shareholder subscription funds receivable	-	72,500
Prepayments	-	28,303
Bank guarantee	<u>24,634</u>	24,634
	<u><u>24,634</u></u>	<u><u>125,437</u></u>

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Notes to the Financial Statements For the Year Ended 30 June 2021

15 Trade and Other Payables

	2021	2020
	\$	\$
CURRENT		
Trade payables	619,289	264,820
GST payable	19,373	-
Accrued expenses	16,404	22,400
Sundry creditors	50,631	116,758
	<u>705,697</u>	<u>403,978</u>

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.

16 Borrowings

	2021	2020
	\$	\$
CURRENT		
Chattel mortgage	15,735	16,350
Total current borrowings	<u>15,735</u>	<u>16,350</u>
	2021	2020
	\$	\$
NON-CURRENT		
Related party payables - Director related entity	8,447	3,050
Chattel mortgage	56,235	68,430
Convertible notes (a)	-	416,703
Total non-current borrowings	<u>64,682</u>	<u>488,183</u>

- a) Convertible notes were issued with an issue price of \$1.00 and are convertible into fully paid ordinary shares in accordance to the Convertible Note Agreement. Interest for the convertible notes is accrued at 10% until earlier of either the conversion date and the redemption date. During the year, under a Deed of Variation to the Convertible Note Agreement, the maturity date was amended to 30 June 2021. In line with this amendment, all convertible notes were converted to issued capital prior to year-end, including accrued interest up to the original maturity date of 30 September 2021.

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Notes to the Financial Statements For the Year Ended 30 June 2021

17 Issued Capital

		2021 \$	2020 \$
Ordinary shares		9,830,488	5,877,185
	Date	Shares	Issue price \$
Details			
Opening balance 1 July 2020		230,771,395	- 5,877,185
Transfer from subscribed share capital to ordinary shares		1,208,333	72,500
Issue of shares	28 July 2020	165,000	\$0.06 9,900
Issue of shares	1 September 2020	2,903,333	\$0.06 174,200
Issue of shares (a)	31 October 2020	5,027,759	\$0.06 293,266
Issue of shares	11 November 2020	9,443,336	\$0.06 566,600
Issue of shares	11 January 2021	5,333,334	\$0.06 320,000
Issue of shares	1 March 2021	3,083,333	\$0.06 185,000
Issue of shares	12 March 2021	3,756,667	\$0.06 225,400
Issue of shares	19 March 2021	125,000	\$0.06 7,500
Issue of shares	26 March 2021	833,334	\$0.06 50,000
Issue of shares (a)	26 March 2021	32,135	\$0.06 1,928
Issue of shares	29 March 2021	666,668	\$0.06 40,000
Issue of shares	26 April 2021	1,866,666	\$0.06 112,000
Issue of shares	13 May 2021	1,666,667	\$0.06 100,000
Issue of shares	27 May 2021	833,333	\$0.06 50,000
Issue of shares	1 June 2021	1,666,667	\$0.06 100,000
Issue of shares	11 June 2021	833,334	\$0.06 50,000
Issue of shares (a)	15 June 2021	5,833,334	\$0.06 350,000
Issue of shares (a)	15 June 2021	64,646	\$0.06 3,879
Issue of shares	16 June 2021	1,666,667	\$0.06 100,000
Issue of shares	18 June 2021	1,400,000	\$0.06 84,000
Issue of shares	21 June 2021	1,666,667	\$0.06 100,000
Issue of shares	22 June 2021	3,666,667	\$0.06 220,000
Issue of shares (a)	23 June 2021	2,499,999	\$0.06 150,000
Issue of shares (b)	23 June 2021	11,700,000	\$0.04 468,000
Issue of shares	23 June 2021	250,000	\$0.06 15,000
Issue of shares	28 June 2021	1,666,666	\$0.06 100,000
Issue of shares	30 June 2021	833,333	\$0.06 50,000
Share capital raising fees		-	(45,870)
		301,464,273	9,830,488

(a) Employee Share Plan

(b) Conversion of convertible notes

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Notes to the Financial Statements

For the Year Ended 30 June 2021

17 Issued Capital (continued)

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.

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 Reserves

(a) Options reserve

	2021	2020
	\$	\$
Option reserve	<u>83,205</u>	<u>52,200</u>
Movements:		
Opening balance	52,200	174,000
Value of options issued	48,405	-
Options expired	(17,400)	-
Cancellation of options	-	(121,800)
Closing balance	<u><u>83,205</u></u>	<u><u>52,200</u></u>

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Notes to the Financial Statements For the Year Ended 30 June 2021

18 Reserves (continued)

(b) Performance rights

	2021	2020
	\$	\$
Performance rights	<u>1,559,970</u>	-
Movements:		
Opening balance	-	-
Issue of performance rights	1,987,500	-
Performance rights cancelled	<u>(427,530)</u>	-
Closing balance	<u><u>1,559,970</u></u>	-

19 Capital and Leasing Commitments

(a) Operating Leases

The Group currently has an operating lease for premises for \$9,064 per month, on a month by month agreement, however either party can terminate the lease with 3 months notice.

(b) Contracted Commitments

The Group does not have any contracted commitments as at 30 June 2021.

20 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

Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Financial Risk Management (continued)

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

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Financial Risk Management (continued)

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.

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 is equivalent of AUD \$415,386.

(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.

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20 Financial Risk Management (continued)

(iii) Price risk

The Group is not exposed to any significant price risk.

21 Key Management Personnel Remuneration

Directors

Dr Jaroslav Haman Boublik

Douglas Chee Yong Loh

Blair William Brabin Vega Norfolk

Ilario Thomas Faenza

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

	2021	2020
	\$	\$
Short-term employee benefits	697,412	582,831
Share-based payments	2,432,500	-
	<u>3,129,912</u>	<u>582,831</u>

22 Auditors' Remuneration

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

	2021	2020
	\$	\$
<i>Audit services - JTP Assurance</i>		
- auditing or reviewing the financial statements	16,000	12,500
- other services	2,500	-
	<u>18,500</u>	<u>12,500</u>

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Notes to the Financial Statements For the Year Ended 30 June 2021

23 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 2021	Percentage Owned (%) [*] 2020
Subsidiaries:			
Biome Australia Trading Pty Ltd	Melbourne, Victoria, Australia	100	100
Biome Australia IP Pty Ltd	Melbourne, Victoria, Australia	100	100

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

24 Parent entity

	2021 \$	2020 \$
Statement of Financial Position		
Assets		
Current assets	592,464	515,068
Non-current assets (net of impairment provision)	8,305,012	5,715,477
Total Assets	<u>8,897,476</u>	<u>6,230,545</u>
Liabilities		
Current liabilities	-	1,322
Non-current liabilities	-	390,000
Total Liabilities	<u>-</u>	<u>391,322</u>
Equity		
Issued capital	11,485,488	5,949,685
Accumulated losses	(2,640,212)	(162,662)
Option reserve	83,205	52,200
Total Equity	<u>8,928,481</u>	<u>5,839,223</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	<u>(2,477,550)</u>	<u>(48,026)</u>
Total comprehensive income	<u>(2,477,550)</u>	<u>(48,026)</u>

25 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2021.

Notes to the Financial Statements
For the Year Ended 30 June 2021

26 Related Parties

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

Key management personnel - refer to Note 21.

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(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.

27 Cash Flow Information

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

	2021	2020
	\$	\$
Loss for the year	(5,381,116)	(3,162,163)
- depreciation, amortisation and impairment expenses	107,294	537,703
- net gain on disposal of property, plant and equipment	(4,494)	-
- write-down of inventory	133,550	234,552
- share based payments expense	2,900,487	-
- interest on convertible notes	51,297	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(461,221)	(26,529)
- (increase)/decrease in other assets	100,873	(13,381)
- (increase)/decrease in inventories	(221,970)	(715,055)
- increase/(decrease) in income in advance	83	-
- increase/(decrease) in trade and other payables	337,079	(111,653)
- increase/(decrease) in provisions	45,004	35,672
Cashflows from operations	<u>(2,393,134)</u>	<u>(3,220,854)</u>

Biome Australia Limited 2021

ABN 51 627 364 014

Notes to the Financial Statements

For the Year Ended 30 June 2021

28 Share Based Payments

A summary of the Company options issued is as follows:

	Grant date	Expiry Date	Exercise Price \$	Start of the year	Issued during the year	Expired/ Exercised during the year	Cancelled 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 2022	0.060000	4,500,000	-	(4,500,000)	-	-	-
Tranche 2	8 Feb 2019	30 Jun 2022	0.090000	4,500,000	-	-	-	4,500,000	4,500,000
Tranche 3	8 Feb 2019	30 Jun 2023	0.120000	4,500,000	-	-	-	4,500,000	4,500,000
Tranche 4	1 Sept 2020	31 Oct 2021	0.100000	-	21,045,450	-	-	21,045,450	21,045,450
Performance Rights									
Tranche 2	8 Feb 2019	30 Jun 2021	-	16,666,666	-	-	(16,666,666)	-	-
Tranche 3	8 Feb 2019	31 March 2021	-	16,666,667	-	-	(16,666,667)	-	-
Issue 1 - Tranche 1	26 Oct 2020	31 Dec 2021	0.001805	-	11,666,667	(5,833,334)	(2,916,667)	2,916,666	-
Issue 1 - Tranche 2	26 Oct 2020	31 Dec 2021	0.001805	-	8,416,667	-	(2,104,167)	6,312,500	-
Issue 1 - Tranche 3	26 Oct 2020	31 Dec 2021	0.001805	-	8,416,666	-	(2,104,166)	6,312,500	-
Issue 2 - Tranche (a)	27 Jan 2021	30 Sep 2021	0.002439	-	5,541,667	-	-	5,461,667	-
Issue 2 - Tranche (b)	27 Jan 2021	31 Mar 2022	0.002439	-	6,500,000	-	-	6,500,000	-

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.

Biome Australia Limited 2021

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Notes to the Financial Statements

For the Year Ended 30 June 2021

28 Share Based Payments (continued)

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

	Issue 1	Issue 2(a)	Issue 2(b)	Option Issue
	\$	\$	\$	\$
Grant Date	26 Oct 2020	27 Jan 2021	27 Jan 2021	1 Sep 2020
Expiry Date	31 Dec 2021	30 Sep 2021	31 Mar 2022	31 Oct 2021
Spot rate	\$0.06	\$0.06	\$0.06	\$0.06
Exercise price	\$0.001805	\$0.002439	\$0.002439	\$0.100000
Weighted average life of option	1.18	0.67	1.17	1.37
Expected share price volatility	88.16%	88.16%	88.16%	88.16%
Dividend yield	-	-	-	-
Risk free rate	0.215%	0.215%	0.215%	0.215%
Fair value at grant date	\$0.0582	\$0.05756	\$0.05757	\$0.00230

29 Events Occurring After the Reporting Date

Subsequent to year end, the group issued 10,768,959 performance rights subject to shareholder's approval.

Dominique Fisher was appointed non-executive director as at 12 August 2021.

The group completed its pre-IPO funding, with the final applications for \$1.7m of its pre-IPO raising completed this month. It signed an agreement with Canaccord Genuity Australia to be the Lead Manager for the ASX listing of the Group, expected by the end of November 2021.

The launch of a strategic distribution partnership with one of the largest pharmacy banner Groups in Australia continues to translate into sales growth. The Company is confident of doubling sales for the quarter ended September 2021, compared to the same period in 2020.

Apart from this, no other matters or circumstances have arisen since the end of the financial year 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:

16 Dover Street
Cremorne VIC 3132

The principal place of business is:

16 Dover Street
Cremorne VIC 3121

Biome Australia Limited and Controlled Entities


ABN 51 627 364 014

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and Corporations Regulations 2001 and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes 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 

Ilario Thomas Faenza

Dated 31st August 2021

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 2021, 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 2021 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 \$5,381,116 and a negative cash outflow from operating activities of \$2,393,134.

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 2021 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.

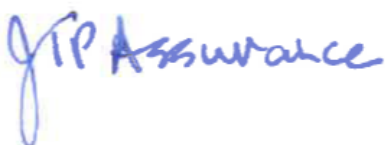
In preparing the financial report, directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease 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
Chartered Accountants



WAYNE TARRANT
Partner

Signed at Melbourne this 31ST day of August 2021