TWO HANDS

Registered entity: CaroMel Ltd

This supplementary document is to be read together with the Replacement CSF offer document dated 19 May 2020 (“the Offer Document”). This supplementary document has been issued to address the following matters:

1. Section 2.6 Financial Information, page 36 of the Offer Document, states that “Below is a summary of the financial statements of the Company for the financial years ended 30 June 2018 and 2019, which have been prepared in accordance with the Accounting Standards and audited by HLB Mann Judd”. As further clarification, the auditor issued a disclaimer of opinion in respect of the financial statements for the year ended 30 June 2019.

2. On page 38, under the heading Going Concern, the Offer Document stated that “The Independent Auditor’s Report accompanying the Company’s Annual Report for 2019, includes a going concern emphasis”. This was an unintentional misstatement. The auditor issued a disclaimer of opinion in respect of the financial statements for the year ended 30 June 2019.

A full copy of the 30 June 2019 financial statements including the auditor’s report have been included as an attachment to this supplementary document.

It is noted that the Offer Document already contains disclosures regarding going concern and the risks associated with access to capital. This is why the Company’s Board of Directors decided to pursue crowdsourced funding, and may continue to pursue funding initiatives as required. Any capital raising in this environment is incredibly difficult and we thank our investors for joining us in our mission to restore trust and closeness for producers globally.

CaroMel Ltd

Financial Statements
for the year ended
30 June 2019

ABN 54-162-235-707

Contents

Directors' report

Your Directors present their report on the Company for the financial year ended 30 June 2019.

Directors

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

Greg McLardie	
Lou Villella	(resigned 18 March 2020)
Wayne Hayes	
Stephen Hanman	(appointed 28 June 2019)
Clay Maxwell	(appointed 28 June 2019)

Review of operations

The Company continued with establishing a marketplace platform supported by blockchain technology to restore trust and closeness to producers, chefs and consumers globally. It also commenced shipping live seafood to China during the year. The loss of the Company for the year after providing for income tax amounted to $1,315,179 (2018 loss $638,789).

The Company creates a disruptive digital B2B2C marketplace that will fundamentally change the relationship between farmers/fishers and high-end restaurants/consumers in China and beyond.

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Company during the year were seeking funding for the creation of a marketplace platform supported by blockchain technology as well as shipments of live seafood to China.

After balance date events

Since the end of the financial year the Company has raised funds through;

- Simple Agreement for Future Equity ("SAFE") agreements of $122,000. Shares may be issued to these investors under conditions and pricing outlined in the agreements which includes the pricing being the lesser of a specified discount to the market price of the shares at a future equity event or a capped valuation per share. Under certain circumstances SAFE holders can elect for cash settlement. Further details regarding the nature of SAFEs are outlined in Note 11.
- Convertible Notes of $595,000. The notes can either be converted to ordinary shares or repaid in cash no earlier than a future equity event such as an IPO, or in 10 years from issuance. An interest rate of 10% accrues on the convertible note.
- Loan agreements with current shareholders. A $57,000 loan agreement has been entered into with Managing Director, Greg McLardie. The loan is unsecured with an interest rate of 5% and repayment terms are conditional on the Company raising a total of $3 million in capital.

From March 2020, the Australian Government, together with State and Territory Premiers, announced a series of measures aimed at preventing the spread of COVID-19, including social distancing requirements which impacted travel and trade. COVID-19 has had significant impacts on the domestic and global economies. The pandemic has materially impacted the Company's operations, including specifically its ability to generate revenues through the export of products to China and its ability to raise capital due to the current economic conditions and associated reduction in investor confidence. Management acknowledge that the situation associated with COVID-19 continues to evolve and it is difficult to estimate with any degree of certainty the resulting impact this may have on the Company. The potential impact of the ongoing disruption and uncertainty on the going concern of the Company, including details of steps taken by management in response to this, are outlined in Note 1.2.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of their operations, or the state of affairs of the Company in the future financial years.

Future development, prospects and business strategies

Likely developments in the operations of the Company 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 Company.

Environmental regulation

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

Dividends paid or recommended

There were no dividends paid or declared during the year.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnifying officers or auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

Proceedings on behalf of Company

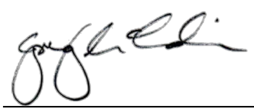
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under S307C of the *Corporations Act 2001* is set out on page 5.

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



Greg McLardie – Chair
Dated this 14th day of May 2020

HLB MANN JUDD

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of CaroMel Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Michael Gummery
Partner

Melbourne
14 May 2020

hlb.com.au

HLB Mann Judd (VIC Partnership) ABN 20 696 861 713
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Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	2019	2018
		$	$
Revenue		412,810	-
Other income		51,812	-
Cost of sales		(454,461)	(12,344)
Gross profit / (loss)		**10,161**	**(12,344)**
Gain/ (loss) on forgiveness of debt	14	(34,783)	-
Professional fees		(94,012)	(283,965)
Consulting fees		(231,987)	(182,722)
Directors' fees		-	(34,444)
Travel and accommodation		(63,159)	(53,313)
Employee benefits		(134,754)	-
Depreciation	4	(9,017)	(1,394)
Impairment of assets	5,6	(120,505)	(43,625)
Finance costs net		(3,784)	(2,636)
Advertising and marketing		(58,882)	-
Sales and strategy		(55,886)	-
Doubtful debt expense	7	(454,300)	-
Other expenses		(64,271)	(24,346)
Loss before income tax		**(1,315,179)**	**(638,789)**
Income tax expense		-	-
Loss for the year		**(1,315,179)**	**(638,789)**
Other comprehensive income for the year net of tax		-	-
Total comprehensive loss for the year		**(1,315,179)**	**(638,789)**

Statement of financial position

As at 30 June 2019

	Note	2019	2018
		$	$
Current assets			
Cash and cash equivalents	2	745,347	17,503
Other receivables	3	11,006	580
Total current assets		**756,353**	**18,083**
Non-current assets			
Property, plant and equipment	4	18,704	1,689
Intangible assets	5	-	-
Investment in subsidiaries and associates	6	8,519	10,010
Loan to subsidiary	7	-	-
Total non-current assets		**27,223**	**11,699**
Total assets		**783,576**	**29,782**
Current liabilities			
Trade and other payables	8	151,285	134,822
Borrowings	9	88,490	67,346
Provisions	10	6,512	-
Simple Agreements for Future Equity	11	2,020,000	-
Total current liabilities		**2,266,287**	**202,168**
Total liabilities		**2,266,287**	**202,168**
Net assets (liabilities)		**(1,482,711)**	**(172,386)**
Equity			
Issued capital	12	660,963	656,109
Retained earnings		(2,143,674)	(828,495)
Total equity		**(1,482,711)**	**(172,386)**

Statement of changes in equity

For the year ended 30 June 2019

2019	Note	Share capital	Retained earnings	Total
		$	$	$
Balance at 1 July 2018	**12**	**656,109**	**(828,495)**	**(172,386)**
Total comprehensive loss for the year		-	(1,315,179)	(1,315,179)
Transactions with owners in their capacity as owners:				
Contributions of equity	12	4,854	-	4,854
Sub-total		4,854	(1,315,179)	(1,310,325)
Balance at 30 June 2019	**12**	**660,963**	**(2,143,674)**	**(1,482,711)**

2018	Note	Share capital	Retained earnings	Total
		$	$	$
Balance at 1 July 2017	**12**	**183,929**	**(189,706)**	**(5,777)**
Total comprehensive loss for the year		-	(638,789)	(638,789)
Transactions with owners in their capacity as owners:				
Contributions of equity	12	472,180	-	472,180
Sub-total		472,180	(638,789)	(166,609)
Balance at 30 June 2018	**12**	**656,109**	**(828,495)**	**(172,386)**

Statement of cash flows

For the year ended 30 June 2019

	Note	2019	2018
		$	$
Cash flows from operating activities			
Receipts from customers		464,622	-
Payments to suppliers, employees (GST inclusive)		(1,179,646)	(473,380)
Finance costs		(3,784)	(2,636)
Net cash provided by (used in) operating activities	13	(718,808)	(476,016)
Cash flows from investing activities			
Payments for plant and equipment	4	(26,032)	(2,533)
Payments for intangible assets	5	(119,005)	(43,625)
Loan to subsidiary	7	(454,300)	-
Investment in subsidiary		(9)	(10)
Net cash provided by (used in) investing activities		(599,346)	(46,168)
Cash flows from financing activities			
Proceeds from shares	12	4,854	472,180
Proceeds from SAFEs	11	2,020,000	-
Proceeds from borrowings net		21,144	67,346
Net cash provided by (used in) financing activities		2,045,998	539,526
Net change in cash and cash equivalents held		727,844	17,342
Cash and cash equivalents at beginning of financial year		17,503	161
Cash and cash equivalents at end of financial year	**2**	**745,347**	**17,503**

Notes to the financial statements

For the ended 30 June 2019

1 Statement of significant accounting policies

CaroMel Ltd is a Company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 14 May 2020.

1.1 Basis of preparation

The Directors' have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001*, all recognition and measurement requirements of all other relevant AASB's, and the significant accounting policies disclosed below which the Directors have determined are appropriate to meet the needs of members:

AASB 101:	Presentation of Financial Statements
AASB 107:	Statement of Cash Flows
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1054	Australian Additional Disclosures

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. The amounts presented in the financial statements have been rounded to the nearest dollar.

1.2 Going Concern

During the financial year the Company incurred a loss of $1,315,179 (2018: loss $638,789), which is a reflection of the Company's status as a start-up. Its current liabilities exceed its current assets by $1,509,934 as at 30 June 2019. It should be noted this includes $2,020,000 of Simple Agreements for Future Equity ("SAFE") which have been classified as current liabilities (refer to note 11). The Directors have reviewed the cash flow requirements of the Company for the twelve months from when the financial statements are authorised and recognise that the Company is dependent upon either capital raisings or loans to fund both its ongoing operations and strategic intentions.

Since the end of the financial year the Company has received additional financing under SAFE agreements and convertible notes of $717,000 which has enabled the Company to continue to build its digital platform, branding and tracing capabilities, and to launch and find product market fit in China.

The Directors note that the impact of the COVID-19 pandemic has had a material impact on the business. The initial impact of the pandemic resulted in a halt in trading operations due to trade restrictions. The Company now expects weaker demand over the coming period as a result of the pandemic. Further, the Company's capital raising efforts have been hampered by a significant softening of the global, institutional investment market. In the current COVID-19 environment, with circumstances changing daily and governments making significant policy interventions, it is difficult for the Directors to project financial forecasts with any degree of certainty. However, the Directors note that management have made the necessary changes to the business in order to respond and adjust for the impact of COVID-19.

Having taken account of the above, the Directors believe the Company can continue as a going concern over the next 12 months due to the following:

- In response to the impact of COVID-19, management has significantly reduced committed cash outflows. Expenditure is currently limited to finding product market fit in China and supporting the Company's fundraising efforts.
- Management has applied for various government subsidies available to it, including the JobKeeper payments for Australian employees and the cash flow boost program.
- CaroMel has received an EMDG grant for FY19 and expects to receive an R&D tax incentive grant for FY19 and FY20.
- The Company is currently preparing a crowd-sourced funding (CSF) offer in order to raise capital. The offer is expected to be set to raise a minimum of $200,000 and a maximum of $3 million. Overall, the Company plans to raise up to $3 million in equity funding, through combining the CSF with institutional or venture capital funding.
- A 12-month cash flow forecast has been prepared, in order to ensure the Company is a going concern. Per the forecast, and based on the above-mentioned capital raising plan, the Company will meet its existing current liabilities and estimated short-term expenditures. Should the Company not achieve its capital raising objectives, the majority of its future operating expenses are highly controllable. Therefore, management is able to scale back spending to align with its capital position.

The above matters indicate that there is material uncertainty relating to the Company's ability to continue as a going concern. Despite the material uncertainty related to the ability of the Company to continue as a going concern, the financial statements have been prepared on a going concern basis. Accordingly, they do not include adjustments relating to the recoverability and classification of assets, or the amount and classification of liabilities that might be necessary should the Company not continue as a going concern.

1.3 Income tax

a. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

b. Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

c. Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future years in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

1.4 Plant and equipment

Plant and equipment are measured at cost less where applicable any depreciation and impairment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

1.5 Depreciation

Plant and equipment is depreciated on a straight line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5–15%
Computer equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting year date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

1.6 Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

1.7 Revenue recognition

Pre 1 July 2018:

Prior to 1 July 2018, the Company did not generate any revenue.

Post 1 July 2018:

The Company has applied AASB 15: *Revenue from Contracts with Customers* using the cumulative effective method and therefore the comparative information has not been restated and continues to be presented under AASB 118: *Revenue*.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from sale of goods is recognised at the point of delivery, as this corresponds to the transfer of significant risks and rewards of ownership of goods and the cessation of all involvement in those goods.

1.8 Cash and Cash Equivalents

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

1.9 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

1.10 Financial Instruments

Pre 1 July 2018:

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors (or a group of debtors) are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Post 1 July 2018:

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: *Revenue from Contracts with Customers*.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit and loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading;
- or initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense to profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking;
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk to other comprehensive income enlarges or creates an accounting mismatch, these gains or losses should be taken to profit or loss rather than other comprehensive income. A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial measurement of financial instruments at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Company makes an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Company's accounting policy.

Derecognition

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.
The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables has been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company 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 Company 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.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

1.11 Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

1.12 Employee Benefits

Provision has been included at the end of the reporting period for unpaid annual leave and long service leave where applicable are accordance with generally accepted calculations.

1.13 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1.14 Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

Impairment - general

The Company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

1.15 New or Amended Accounting Policies Adopted by the Company

Initial Application of AASB 9 *Financial Instruments*

The Company adopted AASB 9 with an initial application date of 1 July 2018 and has updated its accounting policies accordingly as disclosed in note 1.9. AASB 9 requires retrospective application with some exceptions. No material adjustments were identified as a result of the adoption of AASB 9.

Initial Application of AASB 15 *Revenue from Contracts with Customers*

The Company adopted AASB 15 using the modified retrospective approach with an initial application date of 1 July 2018. Prior to 1 July 2018 the Company did not generate any revenues. As such, there was no impact on initial adoption of AASB 15. The accounting policy for revenue is disclosed in note 1.7

1.16 New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Directors do not anticipate that the adoption of AASB 16 will impact the Company's financial statements as the Company currently has no leases.

2 Cash and Cash Equivalents

	2019 $	2018 $
Bank balance	745,347	17,503
	745,347	17,503

3 Other Receivables

Current	2019 $	2018 $
GST receivable	10,466	580
Other receivables	540	-
	11,006	**580**

4 Plant and Equipment

Plant and equipment	2019 $	2018 $
At cost	30,215	4,183
Accumulated depreciation	(11,511)	(2,494)
	18,704	1,689
Total plant and equipment	**18,704**	**1,689**

Movements in carrying values	Plant and Equipment $	Total $
2019		
Balance at the beginning of the year	**1,689**	**1,689**
Additions	26,032	26,032
Depreciation expense	(9,017)	(9,017)
Carrying value at the end of the financial year	**18,704**	**18,704**
2018		
Balance at the beginning of the year	**550**	**550**
Additions	2,533	2,533
Depreciation expense	(1,394)	(1,394)
Carrying value at the end of the financial year	**1,689**	**1,689**

5 Intangible Assets

Intangible Assets	2019 $	2018 $
Platform	150,528	31,700
Software	12,102	11,925
Accumulated impairment loss	(162,630)	(43,625)
	-	-

The Company recognised impairment losses of $119,005 during the financial year.

6 Investment in subsidiaries and associates

Investment in subsidiaries and associates	2019 $	2018 $
Kicking Lobster Pty Ltd – 33%	8,500	10,000
CaroMel China Pty Ltd – 100%	10	10
CaroMel NZ Limited – 100%	9	-
	8,519	**10,010**

The Company invested in one third of the total share capital of Kicking Lobster Pty Ltd on 23rd January 2018. Kicking Lobster Pty Ltd was involved with the export of Redclaw Crayfish to China. It has been decided to discontinue this business. The Company has recovered $8,500 of its investment subsequent to year end. The investment has been written down to its recoverable value, recognising $1,500 of impairment losses at 30 June 2019.

The Company invested 100% in CaroMel China Pty Ltd on 15th November 2018, a company incorporated in Australia which holds 100% of a Wholly Foreign Owned Entity in China, CaroMel China Co.,Ltd.

The Company invested 100% in the newly incorporated New Zealand Company, CaroMel NZ Limited, on 25th July 2018 to be the operating entity when business is commenced in New Zealand.

7 Loan to Subsidiary

Current	2019 $	2018 $
Loan to Subsidiary	454,300	-
Provision for doubtful debts	(454,300)	-
	-	**-**

A loan was provided to the Company's subsidiary, CaroMel China Pty Ltd, during the year. The amount represents funds which CaroMel China Pty Ltd invested in the Wholly Foreign-Owned Enterprise (WFOE) used to operate in mainland China. As CaroMel China Pty Ltd is operating at a loss, the recoverability of the loan is uncertain and a provision for the debt has been made in full.

8 Trade and Other Payables

Current	2019 $	2018 $
Trade payables	123,991	99,165
Directors' fees	-	32,944
Accrued expenses	27,294	2,713
	151,285	**134,822**

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

9 Borrowings

	2019 $	2018 $
Shareholder loans	35,593	6,346
Convertible notes	52,897	61,000
	88,490	**67,346**

The shareholders loans are unsecured and have no fixed terms of repayment. Interest is charged at 3% per annum. The convertible note consists of 50,000 A Class Notes at a face value of $1 a note and has an accrued interest rate of 3%. The notes can either be converted to ordinary shares or paid in cash by a written notice of the Noteholder.

10 Provisions

	2019 $	2018 $
Employee benefits	6,512	-
	6,512	**-**

11 Simple Agreements for Future Equity (SAFE)

	2019 $	2018 $
Simple Agreements for Future Equity	2,020,000	-
	2,020,000	**-**

During the year the Company has raised $2,020,000 through the issue of Simple Agreements for Future Equity (SAFE). Under the agreements, SAFE holders are issued a variable number of ordinary shares, based on a pre-determined cap or discount to the prevailing fair value, at the time of a future equity financing by the Company. In a liquidity event, such as an Initial Public Offering (IPO) or change of control, SAFE holders have the option to redeem their investment in shares or cash (subject to sufficient funds). SAFE holders have priority ranking over ordinary shareholders under a dissolution event.

Although the SAFEs convert to ordinary shares under several circumstances, accounting standards require these instruments to be classified as a current liability. This is due in part to (a) SAFE holders ranking ahead of ordinary shareholders in the event of a dissolution, and (b) SAFE holders having the right to redeem the instruments as cash in certain circumstances.

12 Issued Capital

	2019 $	2018 $
At the beginning of the reporting period	656,109	183,929
Equity received during year	4,854	472,180
	660,963	**656,109**
Number of shares in issue	235,571,518	235,571,518

The Company had 235,571,518 shares on issue as at 30 June 2019.

13 Cash Flow Information

a. Reconciliation of Cash Flow from Operations with Profit after Income Tax	2019 $	2018 $
Loss for year after income tax	(1,315,179)	(638,789)
Non-cash flows in profit		
Depreciation	9,017	1,394
Charges to provisions	6,512	-
Provision for bad debt	454,300	-
Impairment of intangible asset	120,505	43,625
Changes in assets and liabilities		
- Increase in receivables	(10,426)	(50)
- Increase in payables	16,463	117,804
	(718,808)	**(476,016)**

14 Forgiveness of related party receivable

CaroMel Ltd paid $67,727 in legal fees on behalf of CaroMel Ocean Pty Ltd during the year, an entity with which some of CaroMel Ltd's current and former shareholders and Directors were previously involved. For background, in 2012/13 CaroMel Ocean Pty Ltd received legal advice that necessitated the creation of a new entity for the benefit of all its shareholders. The new entity was created to distinguish the operations of the Company from those of CaroMel Ocean Pty Ltd. As a sign of good faith, the Directors of the Company agreed to pay a portion of the outstanding legal fees, which has led to an ongoing, mutually beneficial relationship with the Company's current legal advisors. The total balance has been expensed as a loss on forgiveness of debt.

This is offset by $32,944 of Directors' fees payable by CaroMel Ltd to Directors which have been forgiven resulting in a net loss on forgiveness of debt of $34,783 for the year. It is noted that the two items are unrelated.

15 Events After the Reporting Period

Other than the following, the Directors are not aware of any significant events since the end of the reporting period.

Since the end of the financial year the Company has raised funds through;

- Simple Agreement for Future Equity ("SAFE") agreements of $122,000. Shares may be issued to these investors under conditions and pricing outlined in the agreements which includes the pricing being the lesser of a specified discount to the market price of the shares at a future equity event or a capped valuation per share. Under certain circumstances SAFE holders can elect for cash settlement. Further details regarding the nature of SAFEs are outlined in Note 11.
- Convertible Notes of $595,000. The notes can either be converted to ordinary shares or repaid in cash no earlier than a future equity event such as an IPO, or in 10 years from issuance. An interest rate of 10% accrues on the convertible note.
- Loan agreements with current shareholders. A $57,000 loan agreement has been entered into with Managing Director, Greg McLardie. The loan is unsecured with an interest rate of 5% and repayment terms are conditional on the Company raising a total of $3 million in capital.

The Directors note that the impact of the COVID-19 pandemic has had a material impact on the business. The initial impact of the pandemic resulted in a halt in trading operations due to trade restrictions. The Company now expects weaker demand over the coming period as a result of the pandemic. Further, the Company's capital raising efforts have been hampered by a significant softening of the global, institutional investment market. In the current COVID-19 environment, with circumstances changing daily and governments making significant policy interventions, it is difficult for the Directors to project financial forecasts with any degree of certainty. However, the Directors note that management have made the necessary changes to the business in order to respond and adjust for the impact of COVID-19.

16 Company Details

The registered office and principal place of business of the Company is:
14 Seville Street
Camberwell
Melbourne Vic 3124

Directors' declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 23, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements; and

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.

Greg McLardie - Chair

Dated this 14th May 2020

Independent Auditor's Report to the Members of CaroMel Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Disclaimer of Opinion

We were engaged to audit the financial report of CaroMel Ltd ("the Company") which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

Basis for Disclaimer of Opinion

(a) Lack of evidence to support the going concern basis of accounting

The financial statements are prepared on the basis of the Company continuing as a going concern. Given the financial position and performance of the company, coupled with the high degree of uncertainty outlined below, we have been unable to obtain sufficient appropriate audit evidence on which to form an opinion as to whether preparing the financial statements on the going concern basis is appropriate.

The Company made a loss after tax for the year ending 30 June 2019 of $1,315,179 and had a deficiency of current assets over current liabilities of $1,509,934 as at 30 June 2019. Subsequent to 30 June 2019, the operations of the Company have been significantly impacted by restrictions imposed by both domestic and overseas governments to slow the spread of COVID-19. Since late January 2020 and up until the date of the financial statements, the Company has been unable to make any sales due to the inability to export live seafood. The Company's ability to continue as a going concern is reliant on its ability to raise funds to meet its existing and future liabilities. To date the company has been unable to secure sufficient funds from existing or new equity investors and as a result, as outlined in Note 1.2 Going Concern, the Company intends to raise funds through a Crowd Sourced Equity Funding ("CSF") offer. The Company's cash flow forecast includes the assumption that the CSF offer will be successful and will provide short term funds until confidence returns to the market and private equity investment can be obtained. We have assessed the feasibility of the Company's plans and cash flow forecast but we were unable to obtain sufficient appropriate audit evidence due to a high degree of uncertainty about likely outcomes including specifically:

i. Uncertainty as to the Company's ability to raise sufficient funds through the proposed CSF offer, given no existing track record of successful CSF raisings and an ability to predict CSF investor appetite in the current economic climate.
ii. Uncertainty as to when and to what degree investor sentiment will return such that a potential future private equity investment could be forecast reliably.

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iii. Uncertainty as to if and when Australian and overseas government restrictions will be lifted to the extent necessary to allow the Company to recommence normal operations and generate revenues.
iv. Uncertainty as to when and to what extent demand for high-end seafood products will return to hotels and restaurants in China, such that the Company's future revenues can be forecast reliably.

(b) Application of Australian Accounting Standards

As outlined in Note 1.1, the directors have determined that the Company is not a reporting entity as they do not believe there are users dependent on general purpose financial statements. As a result, the directors have elected to prepare special purpose financial statements in accordance with the basis of preparation outlined in Note 1.1 and have not applied all Australian Accounting Standards. The special purpose financial statements have been prepared for the Company only and therefore do not consolidate the financial performance or position of the Company's controlled subsidiaries or include all the disclosures required under the Australian Accounting Standards such as related party disclosures.

We reviewed the Company's assessment of the appropriateness of preparing special purpose financial statements and, taking into account the Company's current shareholder base and plans to undertake a CSF offer in the near future, we have been unable to satisfy ourselves that the classification of the Company as a non-reporting entity is appropriate. If the Company were to prepare general purpose financial statements, among various other changes, a consolidation of controlled subsidiaries and disclosure of related party transactions would be necessary. We are not in a position to specify the adjustments and additional disclosures that would be necessary in the financial report if it were prepared applying all Australian Accounting Standards, but believe the adjustments and disclosures have the potential to be material to users' understanding of the financial report. Therefore, we are unable to form an opinion on the appropriateness of the basis of accounting as disclosed in Note 1.1.

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 and have determined that the basis of preparation described in Note 1.1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The director's responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the Company's financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Company in accordance with 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Michael Gummery
Partner

Melbourne
14 May 2020