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Independent Auditor's Report

To the Shareholders of Blis Technologies Limited

Opinion

We have audited the consolidated financial statements of Blis Technologies Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2017, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 16 to 47, present fairly, in all material respects, the consolidated financial position of the Group as at 29 May 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Audit Materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $95,000.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter and Results
Impairment of Intangible Assets The Group's ability to generate revenue is linked to capitalised development costs and patents in respect of ingredients for the Group's products. These are included in the balance sheet as intangible assets. The total carrying value of intangible assets at 31 March 2017 is $1.118m as shown in the Consolidated Balance Sheet and note 10, of which $1.03m relates to capitalised development costs and patents. The carrying value of intangible assets is particularly judgemental given its dependency on forecasts of revenue growth, contribution margins and required rate of return. We included impairment of intangible assets as a key audit matter because if the Group is unable to generate revenue growth and produce sustainable operating cashflows, this affects the carrying value of its key intangible assets.	Our procedures focused on evaluating the appropriateness of the revenue forecasts and operating cash flows included in the impairment model. Our procedures included, amongst others: • Obtaining the Group's impairment model and gaining an understanding of key assumptions and judgements underlying the model. • Assessing the impairment model for consistency with the prior year and determining whether any significant changes to the model were appropriate. • Challenging the reasonableness of the key assumptions including those driving the cash flows underpinning the analysis, by: o Comparing historical budget forecasts against actual results. o Comparing forecast growth to business plans approved by the Board, and a market analyst report on the Group. o Engaging an internal valuation expert to benchmark the discount rate against companies of a similar nature. • Performing sensitivity analysis on revenue growth assumptions to assess the impact on forecasted cashflows.
Going Concern The financial statements have been prepared on a going concern basis as discussed in note 1. Historically, the Group has been loss making, and has raised capital to fund costs during an extended growth phase. Accumulated losses shown in the Consolidated Balance Sheet totalled $33.3m as at 31 March 2017. We included the going concern assumption as a key audit matter as it relies on existing cash reserves and revenue growth generating sufficient cashflows to cover necessary expenditure.	In assessing the appropriateness of the going concern assumption used in preparing the financial statements, our procedures included, amongst others: • Assessing the cash flow requirements of the Group over 15 months from 31 March 2017 based on budgets and forecasts. • Understanding what forecast expenditure is committed and what could be considered discretionary. • Considering the liquidity of existing assets on the balance sheet.

- Considering the terms of the trade funding facility and the amount available for drawdown.
- Considering potential downside scenarios and the resultant impact on available funds.

Fair Value of Share Options under Subscription Agreement and Related Accounting Treatment

During the year, the Group entered into a Subscription Agreement with the Chief Executive for the issue of shares in Blis Technologies Limited, accounted for as share options in accordance with NZ IFRS 2 *Share Based Payments*. The details of the arrangement are described in note 14 of the financial statements. An amount of $54,000 has been recognised as an expense during the year in the consolidated income statement and is also shown as a separate component of equity.

Measuring the fair value of the share options under the Subscription Agreement requires judgement to determine an appropriate volatility percentage to apply in the application of the Black-Scholes valuation model, particularly as the shares are thinly traded.

We have included the treatment of the Subscription Agreement as a key audit matter due to it being a new transaction with a member of key management personnel which involves accounting complexity and valuation judgements and due to its significance to the financial statements.

We focused on the appropriateness of the fair value and related accounting treatment of the arrangement for the Chief Executive to acquire the shares. Our procedures included, amongst others:

- Obtaining the Subscription Agreement and discussing with management the accounting applied, the basis for utilising the Black-Scholes model to calculate fair value and key judgements made.
- Assessing the reasonableness of the judgements and assumptions in calculating the fair value. Our testing approach included:
  - Engaging an internal valuation expert to assess the reasonableness of the methodology applied and the inputs used, focussing on assumed volatility relative to other companies in similar industries.
  - Considering the appropriateness of key inputs to the model, including assessing the appropriateness of a nil dividend rate and comparing interest rates to the NZ Reserve Bank government bond rates for similar time frames.
  - Recalculating the fair value of the amount recognised as an expense using the Black-Scholes model.

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

B E Tomkins, Partner
for Deloitte Limited
Dunedin, New Zealand
29 May 2017

This audit report relates to the consolidated financial statements of Blis Technologies Limited (the 'Company') for the year ended 31 March 2017 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 29 May 2017 to confirm the information included in the audited consolidated financial statements presented on this website.