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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

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| **x** | **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |
|  |  |
|  | For the fiscal year ended **June 30, 2019** |

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| **¨** | **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |
|  |  |
|  | For the transition period from \_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_ |

Commission file number **000-55403**

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| **APPYEA, INC.** |
| (Exact name of registrant as specified in its charter) |

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| **South Dakota** |  | **46-1496846** |
| (State or other jurisdiction  of incorporation or organization) |  | (I.R.S. Employer  Identification No.) |

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| **777 Main Street, Suite 600, Fort Worth, Texas** |  | **76102** |
| (Address of principal executive offices) |  | (Zip Code) |

Registrant’s telephone number, including area code: **(817) 887-814**

Securities registered pursuant to Section 12(b) of the Act:

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| --- | --- | --- |
| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
| **None** | **None** | **None** |

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, $0.0001 par value per share**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes xNo ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes xNo ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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| Large accelerated filer | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | x | Smaller reporting company | x |
|  |  | Emerging Growth Company | ¨ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of Common Stock held by non-affiliates of the Registrant on December 31, 2018, was approximately $269,000 based on a $0.0002 average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock as of the latest practicable date.

|  |  |
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| 5,161,140,774 shares of common stock as of October 15, 2019. |  |

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**FORWARD-LOOKING STATEMENTS**

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our consolidated unaudited financial statements are stated in United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this annual report.

Unless otherwise specified in this annual report, all dollar amounts are expressed in United States dollars and all references to “common stock” refer to shares of our common stock.

As used in this annual report, the terms “we”, “us”, “our” and “our company” mean Appyea, Inc., and our wholly owned subsidiaries, AppYea Holdings, Inc. and The Diagnostic Centers, Inc., unless otherwise indicated.

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**PART I**

**ITEM 1. BUSINESS**

OVERVIEW

We were incorporated in the State of South Dakota on November 26, 2012. We are engaged in the acquisition, purchase, maintenance and creation of mobile software applications.

Our administrative office is located at 777 Main Street, Suite 600, Fort Worth, TX 76102, Telephone: (817)-887-8142. Our corporate website is located at www.appyea.com.

Our fiscal year end is June 30th. We have not been subject to any bankruptcy, receivership or similar proceeding.

We have two wholly owned subsidiaries, AppYea Holdings, Inc., a South Dakota corporation and The Diagnostic Centers, Inc., a South Dakota corporation.

**Our Current Business**

We are a development stage company that was initially only engaged in the acquisition, purchase, and maintenance of mobile software applications (“apps”). Although we are still active in the mobile applications industry, we began investigating healthcare markets to augment the apps business in early 2017 and subsequently formed a wholly owned subsidiary The Diagnostic Centers, Inc. to focus on marketing certain products and services to healthcare providers.

On November 15, 2017, we entered into a distribution agreement with Cedar Creek Labs Series Two LLC (“LLC”) for the term of 1 year. The agreement shall be automatically extended for successive 1 year unless there is the notice to terminate. Our Company shall use best efforts to market the Products for the LLC and will receive compensation ranging from 15% to 40% of profit. Our company owns membership interests of 5% in LLC and the transactions between our company and LLC which is an equity method investee are deemed to be between related parties. The Company reviewed Cedar Creek Labs Series Two LLC financial condition at June 30, 2018 and concluded that there is a 100% impairment loss related to the Company’s investment, and recorded an impairment loss of $24,524, for the year ended June 30, 2018. As of June 30, 2019 the Company is no longer utilizing this lab.

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**The Apps Business**

We are a mobile application provider for iOS, Google Play, and Amazon platforms. We operate our own titles as well as provide strategic partnerships with promising mobile app developers. We recently acquired two kid friendly applications, “Duck Quest” and “Ball Bearing Racer” that are available in the in-app purchasing system for download, and a new app, Cheap RX, that you can immediately save money on prescriptions for the entire family.

**Our Apps**

Our company’s products include mobile applications. Our company acquires third party mobile applications (“apps”), in order to build a diverse portfolio of apps that will service a wide range of industries and consumers. Our company plans to acquire apps that are currently in development, as well as apps that are ready to be presented to the public. By purchasing existing apps, we aim to considerably cut the time to the market for introducing these apps. Our company intends to market and sell our acquired apps under our own name. Our company’s target customers vary widely, due to the numerous types of apps that are currently available. Below, our current business strategy and plan are detailed in an effort to explain the methods by which our company generates revenue in the apps industry.

Source Code Assets

On April 2, 2013 we acquired a mobile application that will help the millions of amusement and theme park visitors by providing them with accurate attraction wait times, ride information, theme park maps, hours of park operation, parade and show times, firework times, and much more in the palms of cell phone users’ hands.

On October 15, 2014, we acquired an automobile and the MySocial mobile application for $60,000. The purchase was satisfied through the issuance of a Promissory Note in an amount of $60,000. The MySocial mobile application is a social media application that will allow a user to share news, videos, and other information to various social media outlets.

Current Products and Revenue

Our company currently generates nominal revenues from paid downloads and advertisement integration. We currently use advertising integration in the free versions of our mobile applications that are downloaded by consumers. Advertisement integration has accounted for roughly five percent of our total revenues as of the date of this annual report. Our company plans to continue using advertisement integration in the free versions of our mobile apps. However, at the time of the initial download, or at any time after the initial download of our application, the consumer can choose to pay for the full application, at which time the advertisements are removed. Our company plans on generating future revenues from the purchase of underdeveloped mobile applications, application development and mobile application development consulting. There is currently no single customer or product that has accounted for a material portion of our revenues.

Management and Development Role

We intend to become a management company that focuses on the promotion, marketing, and sales of its acquired apps. We intend to obtain the services of specialized app marketing companies in order to become well positioned in online mobile app stores. In addition, our company believes that by properly marketing our apps, we will be able to increase downloads, lower the acquisition costs associated with the acquired apps, and expand our portfolio of apps for all current and future platforms.

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**Competition**

The app development market is very competitive, with many companies developing apps worldwide. Also, it is possible that our business model may be duplicated in the future. However, at the current time we believe our system and business method of not only generating internal apps, but also continuously acquiring third party apps and app development companies will give us access to a large number of mobile apps, and while that will not decrease the amount of competitors in the industry, it will place us in a very competitive position, as we will have apps that function in a wide range of categories. Our ability to sell apps that operate in a wide range of categories will allow us to reach a large customer base, consisting of consumers who will purchase our mobile applications on app stores, which we believe will allow us to be successful and competitive, regardless of the number of other application development companies that compete in our industry.

**Strategy**

Structured as a mobile app acquisition and management company, our app business model is designed to provide an almost unlimited amount of apps that can be of use to a large amount of different consumer purchasers. We will sell our products to consumers in mobile application stores, and we will also hire third party marketing companies in order to reach a large number of potential consumer purchasers of our apps.

**Compliance Approval**

Our company does not require any government approval for our services. As a mobile application product provider, our business will not be subject to any environmental laws.

**Compliance with Government Regulation**

Our company will be subject to local and international laws and regulations that relate directly or indirectly to our operations. We will also be subject to common business and tax rules and regulations pertaining to the operation of our business. Our company believes that the effects of existing or probable governmental regulations will be additional responsibilities of our management to ensure that our company is in compliance with securities regulations as they apply to our company’s products as well as ensuring that our company does not infringe on any proprietary rights of others with respect to our products. Our company will also need to maintain accurate financial records in order to remain complaint with securities regulations as well as any corporate tax liability we incur.

**Research and Development**

We have incurred $Nil in research and development expenditures over the last two fiscal years.

**Intellectual Property**

Our company currently has no patents or trademarks on our brand name and we have not and do not intend to seek protection for our brand name or our mobile applications at this time; however, as business develops and operations continue, it may seek such protection. Despite efforts to protect our proprietary rights, such as our brand and service names, since we have no patent or trademark rights unauthorized persons may attempt to copy aspects of our company business, including our web site design, services, product information and sales mechanics or to obtain and use information that we regard as proprietary. Any encroachment upon our company’s proprietary information, including the unauthorized use of our brand name, the use of a similar name by a competing company or a lawsuit initiated against us for infringement upon another company’s proprietary information or improper use of their trademark, may affect our ability to create brand name recognition, cause customer confusion and/or have a detrimental effect on our business. Litigation or proceedings before the U.S. or International Patent and Trademark Offices may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets and domain name and/or to determine the validity and scope of the proprietary rights of others. Any such litigation or adverse proceeding could result in substantial costs and diversion of resources and could seriously harm our business operations and/or results of operations.

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Our company does not currently have any licenses to use any third-party intellectual property.

**Healthcare Products and Services**

After investigating the healthcare markets in early 2017, it was determined that the market conditions were right for our entry into blood lab, toxicology and genetic testing service industry, with a focus on marketing services using third party providers. In our investigation we found that most patients are frustrated as to the time it takes to get lab results back, especially when the diagnosis is dependent on these results.

Our vision is to become the leading marketing and service company in the industry. Now that is a bold statement and how do we get there. People want results. People also want answers quicker especially when it comes to their wellbeing. Our strategy is to work as a liaison between the Doctor and the lab itself. By developing strong personal relationships with these groups.

The diagnostic information service provider market is estimated by Forbes to be a $55Billion worldwide market.

The primary customers **for these diagnostic information services are:**

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| Hospitals | Hospitals generally maintain an on-site laboratory to perform the significant majority of clinical testing for their patients and refer esoteric testing to outside service providers. They are continuing to come under pricing pressure to outsource more of their basic testing based on the growing efficiency of outside labs. |
| Physicians | Independent physician offices that provide a more fully stocked portfolio of care |
| Clinicians | Clinicians, including both primary care physicians and specialists, requiring diagnostic information services for patients are the primary referral source of our services. Clinicians determine which laboratory to recommend or use based on a variety of factors |
| Employers | Employers use tests for drugs of abuse to determine an individual’s employability and his or her “fitness for duty.” Companies with high employee turnover, safety conscious environments or regulatory testing requirements provide the highest volumes of testing. |
| State & Federal Government | Entities such as prisons, hospitals, hospices and/or psychiatric wards that are funded by state or federal agencies. |
| ACOs and IDNs | An ACO is a network of providers and facilities that share financial risk in providing or arranging for the provision of healthcare. An IDN is a network of providers and facilities working together in providing or arranging for the provision of healthcare. |

**Competitive Environment**

The diagnostic information service industry is a very fractured market with 2 primary Companies with leading market share. These two Companies (Quest and Lab Corp) have grown through a roll-up strategy that has propelled them to the size they are today. Since these larger providers are so focused on improving operational efficiencies from the myriad of acquired smaller providers, we believe that we can capitalize on this lack of focus on the end-user customer by these larger players, which gives us a powerful opportunity to make its mark quickly. Additionally, a quarter of the market is served by 5000 other small players. This is also an opportunity for us to capitalize on an opportunity to gather new customers who likely have very little loyalty to their current provider.

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The Company’s initial primary diagnostic information service provider is the Diagnostic Group, LLC which owns and manages labs in the Dallas-Fort Worth area. Their lab is an advanced state of the art blood, toxicology and genetic testing laboratory located just outside of the DFW Metroplex in Southlake, TX – and serving customers on a national basis. Their team is comprised of innovative leaders with a combined 35 years of experience in the medical and healthcare industries that have identified a need for superior laboratory services.

**Employees**

As of June 30, 2019, we have no employees other than our officers and directors.

We are an early stage company that was initially only engaged in the acquisition, purchase, and maintenance of mobile software applications (“apps”).

On November 15, 2017, we entered into a distribution agreement with Cedar Creek Labs Series Two LLC (“LLC”) for the term of 1 year. Our Company shall use best efforts to market the Products for the LLC and will receive compensation ranging from 15% to 40% of profit. Our company owns membership interests of 5% in LLC and the transactions between our company and LLC which is an equity method investee are deemed to be between related parties. The Company reviewed Cedar Creek Labs Series Two LLC financial condition at June 30, 2018 and concluded that there is a 100% impairment loss related to the Company’s investment, and recorded an impairment loss of $24,524, for the year ended June 30, 2018.

Although we are still active in the mobile applications industry, we began investigating healthcare markets to augment the apps business in early 2017 and subsequently formed a wholly owned subsidiary The Diagnostic Centers, Inc. to focus on marketing certain products and services to healthcare providers. Our focus is now on healthy and innovative CBD products, software development and lab services. We are currently in the process of developing Hemp derived products, branding, sourcing and distribution agreements for our products. During the quarter ended March 31, 2019 the Company entered into a management and advisory agreement with Hempori, Inc. to assist the Company in identifying and managing the Company’s overall business strategy and opportunities to enter the hemp based Cannabidiol (CBD) industry. Additionally, the Company entered into an exclusive CBD infused beverage licensing agreement with the Prouty Company to market flavored and non-flavored beverages in various formulas infused with CBD to achieve the following “mood enhancing” affects: Energy, Calm, Focus, and Sleep.

**ITEM 1A. RISK FACTORS**

As a “smaller reporting company”, we are not required to provide the information required by this Item.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not Applicable.

**ITEM 2. PROPERTIES**

Our company operations are currently being conducted out of our company office located at 777 Main Street, Suite 600, Fort Worth, TX 76102; (855) 927-7932. Our management considers that the current principal office space arrangement adequate and will reassess its needs based upon the future growth of our company. We currently rent our office space for $200 per month with three-month terms, which shall be automatically extended for successive three-month periods unless there is notice to cancel.

**ITEM 3. LEGAL PROCEEDINGS**

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. We are not involved in any pending legal proceeding or litigation and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party and which would reasonably be likely to have a material adverse effect on our company. To date, our company has never been involved in litigation, as either a party or a witness, nor has our company been involved in any legal proceedings commenced by any regulatory agency against our company.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

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**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information**

There is a limited public market for our common shares. Our common shares are listed for quotation on the Pink sheets of the OTC Markets under the trading symbol “APYP”. Trading in stocks quoted on the Pink Sheets is often thin and is characterized by wide fluctuations in trading prices due to many factors that may be unrelated to a company’s operations or business prospects.

Pink Sheet securities are not listed or traded on the floor of an organized national or regional stock exchange. Instead, OTC Pink Sheet securities transactions are conducted through a telephone and computer network connecting dealers in stocks. Pink Sheet issuers are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange.

**Holders**

As of October 15, 2019, we had 48 shareholders of record of our common stock with 5,161,140,774 shares of common stock outstanding.

**Dividends**

We have not paid any cash dividends to our shareholders. The declaration of any future cash dividends is at the discretion of our board of directors and depends upon our earnings, if any, our capital requirements and financial position, our general economic conditions, and other pertinent conditions. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

**Equity Compensation Plans**

Our company has not adopted any equity compensation plans and does not anticipate adopting any equity compensation plans in the near future. Notwithstanding the foregoing, because the company has limited cash resources at this time, it may issue shares or options to or enter into obligations that are convertible into shares of common stock with its employees and consultants as payment for services or as discretionary bonuses.

**Recent Sales of unregistered securities**

None.

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**Issuer Purchases of Equity Securities**

There were no repurchases of common stock for the year ended June 30, 2019.

**ITEM 6. SELECTED FINANCIAL DATA**

Not Applicable.

**ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This annual report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as “anticipate,” “expect,” “intend,” “plan,” “will,” “we believe,” “management believes” and similar language. Except for the historical information contained herein, the matters discussed in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this current report on Form 10-K are forward-looking statements that involve risks and uncertainties. The factors listed in the section captioned “Risk Factors,” as well as any cautionary language in this current report on Form 10-K, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from those projected. Except as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events after the date of this current report on Form 10-K.

**Results of Operations**

Year ended June 30, 2019 compared to year ended June 30, 2018.

|  |  |  |  |  |  |  |  |  |
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|  |  | **Year Ended** | | | | | |  |
|  |  | **June 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Revenue |  | $ | 345 |  |  | $ | 1,349 |  |
| Revenue - related party |  | $ | - |  |  | $ | 2,900 |  |
| Operating expenses |  | $ | (164,258 | ) |  | $ | (636,362 | ) |
| Other expense |  | $ | (900,897 | ) |  | $ | (1,362,143 | ) |
| Net loss |  | $ | (1,064,810 | ) |  | $ | (1,994,256 | ) |

We generated revenue of $345 and $1,349, and revenue from related party of $0 and $2,900 for the years ended June 30, 2019 and 2018, respectively. During our limited history, we have generated nominal revenue and have very little operating history upon which to evaluate our business.

Operating expenses, which consisted of legal and professional fees, general and administrative expenses, and depreciation expense, were $164,258 and $636,362, for the years ended June 30, 2019 and 2018, respectively. Operating expense decreased during the year ended June 30, 2019, by $472,104 as compared to 2018, were primarily the result of decreased professional fees. Professional fees decrease by $371,941 during the year ended 2019, due to a decrease in consulting fees.

Other expenses totaled $900,897 for the year ended June 30, 2019 compared to $1,362,143 for the year ended June 30, 2018. The decrease in other expenses was primarily related a decrease in interest expense as well as the loss on the change in the fair value of our derivative liabilities offset by a loss on settlement of debt a decrease.

As a result of the foregoing, we incurred losses of $1,064,810 and $1,994,256 during the year ended June 30, 2019 and 2018, respectively.

Our activities have been entirely directed at the development of our internal apps, the acquisition of third-party apps, investigation and analysis of the healthcare industry, and the sourcing of capital to fund these activities.

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The following table provides selected financial data about our Company as at June 30, 2019 and 2018.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Cash |  | $ | 45,056 |  |  | $ | 47,196 |  |
| Total Assets |  | $ | 54,556 |  |  | $ | 54,496 |  |
| Total Liabilities |  | $ | 1,030,167 |  |  | $ | 1,904,064 |  |
| Stockholders’ Deficit |  | $ | (975,611 | ) |  | $ | (1,849,568 | ) |

As at June 30, 2019, the Company’s cash balance was $45,056 compared to $47,196 as at June 30, 2018 and our total assets at June 30, 2019 were $54,556 compared with $54,496 as at June 30, 2018. The increase in total assets was due to a decrease in fixed assets of $7,300 and cash of $2,140 offset by an increase in prepaid expense of $9,500.

As at June 30, 2019, the Company had total liabilities of $1,030,167 compared with total liabilities of $1,904,064 as at June 30, 2018. The decrease in total liabilities of $873,897, during the year ended 2019, was primarily the result of a decrease in accounts payable and accrued liabilities of $230,919, accrued salary of $220,494 and derivative liability of $438,053. As at June 30, 2019 and 2018, the Company accrued $3,506 and $224,000 for officer salary, respectively.

**Liquidity and Capital Resources**

Currently we do not have sufficient capital to fund our overhead expenses or business development for the next 12 months.

Working Capital

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Current Assets |  | $ | 54,556 |  |  | $ | 47,196 |  |
| Current Liabilities |  | $ | 1,030,167 |  |  | $ | 1,904,064 |  |
| Working Capital (Deficiency) |  | $ | (975,611 | ) |  | $ | (1,856,868 | ) |

The decrease in working capital deficiency was primarily attributed to a decrease in current liabilities.

Cash Flows

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Year Ended** | | | | | |  |
|  |  | **June 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Cash Flows Used in Operating Activities |  | $ | (102,277 | ) |  | $ | (135,550 | ) |
| Cash Flows Used in Investing Activities |  | $ | - |  |  | $ | (25,000 | ) |
| Cash Flows from Financing Activities |  | $ | 100,137 |  |  | $ | 165,179 |  |
| Net Change in Cash During Period |  | $ | (2,140 | ) |  | $ | 4,629 |  |

**Cash Flow from Operating Activities**

During the year ended June 30, 2019, the Company used $102,277 in cash in operating activities compared to cash used in operating activities of $135,550 during the year ended June 30, 2018. During the year ended June 30, 2019, we incurred a net loss of $1,064,810 of which $841,209 arose from non-cash expenses and we generated cash flow of $121,324 from the net increase in current liabilities. By comparison, during the year ended June 30, 2018, we incurred a net loss of $1,994,256 of which $1,413,053 arose from non-cash expenses and we generated cash flow of $445,653 from the net increase in current liabilities.

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**Cash Flow from Investing Activities**

During the year ended June 30, 2019 and 2018, our company used $0 and $25,000 for investment in equity method investee, respectively

**Cash Flow from Financing Activities**

Net cash provided by financing activities for the year ended June 30, 2019 was $100,137, compared to net cash provided by financing activities of $165,179 for the year ended June 30, 2017. During the year ended June 30, 2019, we received $100,000 by way of loan under a convertible note payable, $437 loan from a related party and repaid $300 to a related party. During the year ended June 30, 2018, we received $142,167 by way of loan under a convertible note payable, $8,333 by way of loan under a convertible note payable – related party, $200 from the issuance of our common shares, $21,098 loan from a related party and repaid $6,619 to a related party.

**Off-Balance Sheet Arrangements**

As of June 30, 2019, our company had no off-balance sheet arrangements.

**Application of Critical Accounting Policies**

We believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this “Management’s Discussion and Analysis of Financial Condition and Results of Operation.”

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

***Convertible Notes***

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis until extinguished upon conversion or at the instrument’s maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized as additional paid-in capital and included in equity, net of income tax effects, and is not subsequently remeasured. After initial measurement, they are carried at amortized cost using the effective interest method.

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Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company used a Black Scholes valuation model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740 “Income Taxes”. Under FASB ASC 740, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The provision for income taxes represents the tax expense for the period, if any, and the change during the period in deferred tax assets and liabilities. FASB ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. Under FASB ASC 740, the impact of an uncertain tax position on the income tax return may only be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. At June 30, 2019 and 2018, a full deferred tax asset valuation allowance has been provided and no deferred tax asset has been recorded.

Also, refer to Note 2 – Summary of Significant Accounting Policies and Note 7 - Derivative Liabilities in the consolidated financial statements that are included in this Report.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not Applicable.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**APPYEA, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

|  |  |  |  |
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of

AppYea, Inc.

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of AppYea, Inc. and its subsidiaries (collectively, the “Company”) as of June 30, 2019 and 2018 and the related consolidated statements of operations, stockholders’ deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Going Concern Matter***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ MaloneBailey, LLP*

www.malonebailey.com

We have served as the Company's auditor since 2015.

Houston, Texas

October 18, 2019

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**APPYEA, INC.**

**CONSOLIDATED BALANCE SHEETS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| **ASSETS** | | | | | | | | |
| Current Assets: |  |  | |  |  |  | |  |
| Cash and cash equivalents |  | $ | 45,056 |  |  | $ | 47,196 |  |
| Prepaid expenses |  |  | 9,500 |  |  |  | - |  |
| Total Current Assets |  |  | 54,556 |  |  |  | 47,196 |  |
|  |  |  |  |  |  |  |  |  |
| Fixed assets, net of accumulated depreciation of $257,870 and $250,570 |  |  | - |  |  |  | 7,300 |  |
| **TOTAL ASSETS** |  | $ | 54,556 |  |  | $ | 54,496 |  |
|  |  |  |  |  |  |  |  |  |
| **LIABILITIES AND STOCKHOLDERS’ DEFICIT** | | | | | | | | |
| Current Liabilities: |  |  |  |  |  |  |  |  |
| Accounts payable and accrued liabilities |  |  | 44,393 |  |  |  | 275,312 |  |
| Accrued salary |  |  | 3,506 |  |  |  | 224,000 |  |
| Convertible loans and accrued interest, net of unamortized discounts of $15,000 and $81,968, respectively |  |  | 315,232 |  |  |  | 290,823 |  |
| Convertible loans and accrued interest - related party |  |  | - |  |  |  | 8,977 |  |
| Due to related party |  |  | 88,224 |  |  |  | 88,087 |  |
| Derivative liability |  |  | 578,812 |  |  |  | 1,016,865 |  |
| Total Current Liabilities |  |  | 1,030,167 |  |  |  | 1,904,064 |  |
|  |  |  |  |  |  |  |  |  |
| Total Liabilities |  |  | 1,030,167 |  |  |  | 1,904,064 |  |
|  |  |  |  |  |  |  |  |  |
| Stockholders’ Deficit: |  |  |  |  |  |  |  |  |
| Convertible preferred stock, $0.0001 par value, 60,000,000 shares authorized, 9,750,000 and 5,000,000 shares issued and outstanding at June 30, 2019 and 2018, respectively |  |  | 975 |  |  |  | 500 |  |
| Common stock, $0.0001 par value, 6,000,000,000 shares authorized, 5,095,935,524 and 1,240,477,060 shares issued and outstanding at June 30, 2019 and 2018, respectively |  |  | 509,593 |  |  |  | 124,047 |  |
| Additional paid-in capital |  |  | 6,308,023 |  |  |  | 4,740,277 |  |
| Stock payable |  |  | 47,727 |  |  |  | 62,727 |  |
| Accumulated deficit |  |  | (7,841,929 | ) |  |  | (6,777,119 | ) |
| Total Stockholders’ Deficit |  |  | (975,611 | ) |  |  | (1,849,568 | ) |
| **TOTAL LIABILITIES AND STOCKHOLDERS’ DEFICIT** |  | $ | 54,556 |  |  | $ | 54,496 |  |

See accompanying notes to consolidated financial statements.

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**APPYEA, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Year Ended** | | | | | |  |
|  |  | **June 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
|  |  |  | |  |  |  | |  |
| Revenues |  | $ | 345 |  |  | $ | 1,349 |  |
| Revenues - related party |  |  | - |  |  |  | 2,900 |  |
| **Total Revenue** |  |  | 345 |  |  |  | 4,249 |  |
|  |  |  |  |  |  |  |  |  |
| **Operating Expenses** |  |  |  |  |  |  |  |  |
| Professional fees |  |  | 46,103 |  |  |  | 418,044 |  |
| General and administrative |  |  | 110,855 |  |  |  | 186,574 |  |
| Depreciation |  |  | 7,300 |  |  |  | 31,744 |  |
| **Total Operating Expenses** |  |  | 164,258 |  |  |  | 636,362 |  |
|  |  |  |  |  |  |  |  |  |
| **Loss from operations** |  |  | (163,913 | ) |  |  | (632,113 | ) |
|  |  |  |  |  |  |  |  |  |
| **Other Expense** |  |  |  |  |  |  |  |  |
| Change in fair value of derivative liabilities |  |  | (464,691 | ) |  |  | (912,590 | ) |
| Interest expense |  |  | (238,956 | ) |  |  | (424,553 | ) |
| Loss on settlement of debt |  |  | (197,250 | ) |  |  | - |  |
| Loss on investment in equity method investee |  |  | - |  |  |  | (476 | ) |
| Impairment loss on Investment in equity method investee |  |  | - |  |  |  | (24,524 | ) |
| **Net Other Expense** |  |  | (900,897 | ) |  |  | (1,362,143 | ) |
|  |  |  |  |  |  |  |  |  |
| **Net Loss** |  | $ | (1,064,810 | ) |  | $ | (1,994,256 | ) |
|  |  |  |  |  |  |  |  |  |
| **Net Loss Per Common Share: Basic and Diluted** |  | $ | (0.00 | ) |  | $ | (0.00 | ) |
|  |  |  |  |  |  |  |  |  |
| **Weighted Average Number of Common Shares Outstanding: Basic and Diluted** |  |  | 2,411,256,185 |  |  |  | 988,229,338 |  |

See accompanying notes to consolidated financial statements.

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**APPYEA, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ DEFICIT**

**For the Years Ended June 30, 2019 and 2018**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Convertible** | | | | | |  |  |  | | | | | |  |  | **Additional** | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  | **Preferred Stock** | | | | | |  |  | **Common stock** | | | | | |  |  | **paid-in** | |  |  | **Stock** | |  |  | **Accumulated** | |  |  |  | |  |
|  |  | **Shares** | |  |  | **Amount** | |  |  | **Shares** | |  |  | **Amount** | |  |  | **capital** | |  |  | **payable** | |  |  | **Deficit** | |  |  | **Total** | |  |
|  |  |  | |  |  |  |  |  |  |  |  | | | | | | | | | | | | | | | | | | | | | |
| **Balance, June 30, 2017** |  |  | 5,000,000 |  |  | $ | 500 |  |  |  | 519,973,313 |  |  | $ | 51,997 |  |  | $ | 4,210,156 |  |  | $ | 105,000 |  |  | $ | (4,782,863 | ) |  | $ | (415,210 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued for services |  |  | - |  |  |  | - |  |  |  | 30,000,000 |  |  |  | 3,000 |  |  |  | 14,000 |  |  |  | 15,000 |  |  |  | - |  |  |  | 32,000 |  |
| Common stock issued for the settlement of agreement |  |  | - |  |  |  | - |  |  |  | 75,000,000 |  |  |  | 7,500 |  |  |  | 60,000 |  |  |  | - |  |  |  | - |  |  |  | 67,500 |  |
| Common stock issued exchanged for common stock payable |  |  | - |  |  |  | - |  |  |  | 30,000,000 |  |  |  | 3,000 |  |  |  | 54,473 |  |  |  | (57,273 | ) |  |  | - |  |  |  | 200 |  |
| Common stock issued for conversion of debt and resolution of derivative liabilities |  |  | - |  |  |  | - |  |  |  | 585,503,747 |  |  |  | 58,550 |  |  |  | 401,648 |  |  |  | - |  |  |  | - |  |  |  | 460,198 |  |
| Net loss for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (1,994,256 | ) |  |  | (1,994,256 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, June 30, 2018** |  |  | 5,000,000 |  |  | $ | 500 |  |  |  | 1,240,477,060 |  |  | $ | 124,047 |  |  | $ | 4,740,277 |  |  | $ | 62,727 |  |  | $ | (6,777,119 | ) |  | $ | (1,849,568 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Preferred stock issued for settlement of debt - related party |  |  | 4,750,000 |  |  |  | 475 |  |  |  | - |  |  |  | - |  |  |  | 712,025 |  |  |  | - |  |  |  | - |  |  |  | 712,500 |  |
| Common stock issued in conjunction with convertible note |  |  | - |  |  |  | - |  |  |  | 50,000,000 |  |  |  | 5,000 |  |  |  | 10,000 |  |  |  | - |  |  |  | - |  |  |  | 15,000 |  |
| Common stock issued exchanged for common stock payable |  |  | - |  |  |  | - |  |  |  | 30,000,000 |  |  |  | 3,000 |  |  |  | 12,000 |  |  |  | (15,000 | ) |  |  | - |  |  |  | - |  |
| Common stock issued for conversion of debt and resolution of derivative liabilities |  |  | - |  |  |  | - |  |  |  | 3,775,458,464 |  |  |  | 377,546 |  |  |  | 833,721 |  |  |  | - |  |  |  | - |  |  |  | 1,211,267 |  |
| Net loss for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (1,064,810 | ) |  |  | (1,064,810 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, June 30, 2019** |  |  | 9,750,000 |  |  | $ | 975 |  |  |  | 5,095,935,524 |  |  | $ | 509,593 |  |  | $ | 6,308,023 |  |  | $ | 47,727 |  |  | $ | (7,841,929 | ) |  | $ | (975,611 | ) |

See accompanying notes to consolidated financial statements.

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**APPYEA, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Year Ended** | | | | | |  |
|  |  | **June 30,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  | |  |  |  | |  |
| Net loss |  | $ | (1,064,810 | ) |  | $ | (1,994,256 | ) |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |  |  |  |  |  |  |  |
| Depreciation expense |  |  | 7,300 |  |  |  | 31,744 |  |
| Common stock issued for services |  |  | - |  |  |  | 32,000 |  |
| Common stock issued for settlement of agreement |  |  | - |  |  |  | 67,500 |  |
| Loss on settlement of debt |  |  | 197,250 |  |  |  | - |  |
| Impairment loss on investment in equity method investee |  |  | - |  |  |  | 24,524 |  |
| Amortization of debt discounts |  |  | 171,968 |  |  |  | 329,219 |  |
| Loss on investment in equity method investee |  |  | - |  |  |  | 476 |  |
| Penalty of convertible note |  |  | - |  |  |  | 15,000 |  |
| Change in fair value of derivative liabilities |  |  | 464,691 |  |  |  | 912,590 |  |
| Changes in operating assets and liabilities: |  |  |  |  |  |  |  |  |
| Prepaid expenses |  |  | (9,500 | ) |  |  | - |  |
| Accounts payable and accrued liabilities |  |  | (669 | ) |  |  | 269,319 |  |
| Accrued salary |  |  | 64,506 |  |  |  | 96,000 |  |
| Accrued interest |  |  | 66,987 |  |  |  | 80,334 |  |
| Net Cash Used in Operating Activities |  |  | (102,277 | ) |  |  | (135,550 | ) |
|  |  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |  |  |  |  |  |
| Investment in equity method investee |  |  | - |  |  |  | (25,000 | ) |
| Net cash used in Investing Activities |  |  | - |  |  |  | (25,000 | ) |
|  |  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |  |  |  |  |  |
| Issuance of common stock for cash and common stock payable |  |  | - |  |  |  | 200 |  |
| Proceeds from convertible notes payable, net of original issue discounts |  |  | 100,000 |  |  |  | 142,167 |  |
| Proceeds from convertible notes payable - related party, net of original issue discounts |  |  | - |  |  |  | 8,333 |  |
| Proceeds from loan to related party |  |  | 437 |  |  |  | 21,098 |  |
| Repayment of loan to related party |  |  | (300 | ) |  |  | (6,619 | ) |
| Net cash provided by Financing Activities |  |  | 100,137 |  |  |  | 165,179 |  |
|  |  |  |  |  |  |  |  |  |
| Net change in cash for period |  |  | (2,140 | ) |  |  | 4,629 |  |
| Cash at beginning of period |  |  | 47,196 |  |  |  | 42,567 |  |
| Cash at end of period |  | $ | 45,056 |  |  | $ | 47,196 |  |
|  |  |  |  |  |  |  |  |  |
| **SUPPLEMENTAL CASH FLOW INFORMATION:** |  |  |  |  |  |  |  |  |
| Cash paid for income taxes |  | $ | - |  |  | $ | - |  |
| Cash paid for interest |  | $ | - |  |  | $ | - |  |
|  |  |  |  |  |  |  |  |  |
| **NON CASH INVESTING AND FINANCING ACTIVITIES** |  |  |  |  |  |  |  |  |
| Preferred stock issued for settlement of debt - related party |  | $ | 285,000 |  |  | $ | - |  |
| Common stock issued in conjunction with convertible notes |  | $ | 15,000 |  |  | $ | - |  |
| Common stock issued exchanged for common stock payable |  | $ | 15,000 |  |  | $ | - |  |
| Issuance of common stock for conversion of debt and accrued interest |  | $ | 223,523 |  |  | $ | 164,657 |  |
| Resolution of derivative liability upon conversion of debt |  | $ | 987,744 |  |  | $ | 295,541 |  |
| Derivative liability recognized as debt discount |  | $ | 100,000 |  |  | $ | 285,500 |  |

See accompanying notes to consolidated financial statements.

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**APPYEA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**1. NATURE OF OPERATIONS**

AppYea, Inc. (“AppYea”, “the Company”, “we” or “us”) was incorporated in the State of South Dakota on November 26, 2012 to engage in the acquisition, purchase, maintenance and creation of mobile software applications. The Company is in the development stage with no significant revenues and a limited operating history.

The Company incorporated a wholly-owned subsidiary, “AppYea Holdings, Inc.” in state of South Dakota on January 13, 2017 and “The Diagnostic Centers Inc.” in State of South Dakota on August 2, 2017.

Through its wholly owned subsidiary, The Diagnostic Centers, Inc., AppYea markets comprehensive diagnostic testing services to physician offices, clinics, hospitals, long term care facilities, healthcare groups, and other healthcare providers.

During the quarter ended March 31, 2019 the Company entered into a management and advisory agreement with Hempori, Inc. to assist the Company in identifying and managing the Company’s overall business strategy and opportunities to enter the hemp based Cannabidiol (CBD) industry. Additionally, the Company entered into an exclusive CBD infused beverage licensing agreement with the Prouty Company to market flavored and non-flavored beverages in various formulas infused with CBD to achieve the following “mood enhancing” affects: Energy, Calm, Focus, and Sleep.

The Company’s common stock is traded on the OTC Markets (www.otcmarkets.com) under the symbol “APYP”. The first day of trading on the OTC Markets was December 15, 2014.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America and are presented in US dollars. The Company’s year-end is June 30.

*Use of Estimates and Assumptions*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

*Principles of Consolidation*

The consolidated financial statements include the accounts of AppYea and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated.

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturity of three months or less to be cash equivalents.

*Fixed Assets*

The Company’s fixed assets represent mobile applications that is has purchased and upgrades that it has made to these applications. These mobile applications and any upgrades are being amortized over their useful lives of 3 years. The Company also purchased a pre-owned vehicle. Due to the age of the vehicle, it is being depreciated over the useful life of 3 years.

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*Long-Lived Assets*

The long-lived assets of the Company are reviewed for impairment in accordance with ASC No. 360, “Property, Plant and Equipment” (“ASC No. 360”), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. During the years ended June 30, 2019 and 2018, no impairment losses have been identified.

*Stock-based Compensation*

ASC 718 “Compensation – Stock Compensation,” prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, “Equity – Based Payments to Non-Employees.” Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

*Related Parties*

The Company follows ASC 850, “Related Party Disclosures,” for the identification of related parties and disclosure of related party transactions. See note 11.

*Financial Instruments and Fair Value Measurements*

As defined in ASC 820” Fair Value Measurements,” fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

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The following table summarizes fair value measurements by level at June 30, 2019 and 2018, measured at fair value on a recurring basis:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **June 30, 2019** |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |  | **Total** | |  |
| **Assets** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| None |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Derivative liabilities |  | $ | - |  |  | $ | - |  |  | $ | 578,812 |  |  | $ | 578,812 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **June 30, 2018** |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |  | **Total** | |  |
| **Assets** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| None |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Derivative liabilities |  | $ | - |  |  | $ | - |  |  | $ | 1,016,865 |  |  | $ | 1,016,865 |  |

*Derivative Financial Instruments*

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company used a Black Scholes valuation model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

*Revenue Recognition*

The Company generates it revenue from the sale of its mobile software applications through online mobile applications stores.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements:

|  |  |  |
| --- | --- | --- |
|  | · | identify the contract with a customer; |
|  | · | identify the performance obligations in the contract; |
|  | · | determine the transaction price; |
|  | · | allocate the transaction price to performance obligations in the contract; and |
|  | · | recognize revenue as the performance obligation is satisfied. |

The Company has no remaining obligation to customers after the date on which its customers purchase its mobile software applications.

*Equity Method Investment*

The Company owns membership interests of 5% in Cedar Creek Labs Series Two LLC. The Company accounts for its interest in this entity using the equity method. The Company’s investment in this entity was $25,000 at June 30, 2018. Under the equity method of accounting, the Company records the investment at cost. The Company’s investment in the entity is increased by additional contributions to the entity as well as its proportionate share of earnings in the entity. Conversely, the Company’s investment is decreased by distributions made by the Company and by its proportionate share of losses. During the year ended June 30, 2018, the Company recognized loss on Investment in equity method investee of $476. The Company reviewed Cedar Creek Labs Series Two LLC financial condition at June 30, 2018 and concluded that there is a 100% impairment loss related to the Company’s investment, and recorded an impairment loss of $24,524, for the year ended June 30, 2018.

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*Income Taxes*

The Company accounts for income taxes in accordance with FASB ASC 740 “Income Taxes”. Under FASB ASC 740, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The provision for income taxes represents the tax expense for the period, if any, and the change during the period in deferred tax assets and liabilities. FASB ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. Under FASB ASC 740, the impact of an uncertain tax position on the income tax return may only be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. At June 30, 2019 and 2018, a full deferred tax asset valuation allowance has been provided and no deferred tax asset has been recorded.

*Basic and Diluted Net Income (Loss) per Share*

The Company computes net income (loss) per share in accordance with ASC 260, “Earnings per Share” which requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible preferred stock, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive. During the year ended June 30, 2019 and 2018, there were shares of convertible preferred stock outstanding and conversion privileges attached to convertible promissory notes payable. The common share equivalents of these securities have not been included in the calculations of loss per share because such inclusions would have an anti-dilutive effect as the Company has incurred losses during the year ended June 30, 2019 and 2018.

*Recent Accounting Pronouncements*

In July 2018, the FASB issued ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. This update addresses several aspects of the accounting for nonemployee share-based payment transactions and expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The main provisions of the update change the way nonemployee awards are measured in the financial statements. Under the simplified standards, nonemployee options will be valued once at the date of grant, as compared to at each reporting period end under ASC 505-50. At adoption, all awards without established measurement dates will be revalued one final time, and a cumulative effect adjustment to retained earnings will be recorded as the difference between the pre-adoption value and new value. Companies will be permitted to make elections to establish the expected term and either recognize forfeitures as they occur or apply a forfeiture rate. Compensation expense recognition using a graded vesting schedule will no longer be permitted. This pending content is the result of the FASB’s Simplification Initiative, to maintain or improve the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. Because the Company does not currently have any outstanding awards to non-employees for which a measurement date has not been established the adoption of ASU 2018-07 does not have a material impact to the Company’s financial statements and related disclosures upon adoption. The adoption of this standard will change the way that the Company accounts for non-employee compensation in the future.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under this guidance, lessees will be required to recognize on the balance sheet a lease liability and a right-of-use asset for all leases, with the exception of short-term leases. The lease liability represents the lessee’s obligation to make lease payments arising from a lease, and will be measured as the present value of the lease payments. The right-of-use asset represents the lessee’s right to use a specified asset for the lease term, and will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee’s initial direct costs. The standard also requires a lessee to recognize a single lease cost allocated over the lease term, generally on a straight-line basis. The new guidance is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. Early adoption is permitted. The Company is currently evaluating the effects that the adoption of ASU 2016-02 will have on the Company’s financial statements.

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The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on our financial statements.

**3. GOING CONCERN AND LIQUIDITY**

At June 30, 2019, the Company had cash of $45,056 and current liabilities of $1,030,167 and had a working capital deficit of $975,611 and an accumulated deficit of $7,841,929. The Company anticipates future losses in its business. These conditions raise substantial doubt regarding the Company’s ability to continue as a going concern.

In our financial statements for the year ended June 30, 2019, the Report of the Independent Registered Public Accounting Firm includes an explanatory paragraph that describes substantial doubt about our ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. There is no assurance that this series of events will be satisfactorily completed.

**4. FIXED ASSETS**

As at June 30, 2019 and 2018, the balance of fixed assets represented a vehicle and mobile application software as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Mobile applications |  | $ | 257,870 |  |  | $ | 257,870 |  |
| Accumulated depreciation |  |  | (257,870 | ) |  |  | (250,570 | ) |
| Fixed assets, net |  | $ | - |  |  | $ | 7,300 |  |

Depreciation expense for the year ended June 30, 2019 and 2018 was $7,300 and $31,744.

**5. CONVERTIBLE LOANS**

At June 30, 2019 and 2018, convertible loans consisted of the following:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| March 2015 Note |  | $ | - |  |  | $ | - |  |
| November 2016 Note -1 |  |  | 147,000 |  |  |  | 150,000 |  |
| Convertible notes - Issued in fiscal year 2018 |  |  | 49,438 |  |  |  | 195,614 |  |
| Convertible notes - Issued in fiscal year 2019 |  |  | 105,000 |  |  |  | - |  |
| Total convertible notes payable |  |  | 301,438 |  |  |  | 345,614 |  |
|  |  |  |  |  |  |  |  |  |
| Accrued interest |  |  | 28,794 |  |  |  | 27,177 |  |
| Less: Unamortized debt discount |  |  | (15,000 | ) |  |  | (81,968 | ) |
| Total convertible notes |  |  | 315,232 |  |  |  | 290,823 |  |
|  |  |  |  |  |  |  |  |  |
| Less: current portion of convertible notes |  |  | 315,232 |  |  |  | 290,823 |  |
| Long-term convertible notes |  | $ | - |  |  | $ | - |  |

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During the year ended June 30, 2019 and 2018, the Company recognized amortization of discount, included in interest expense, of $171,968 and $320,886, respectively.

*Conversion*

During the year ended June 30, 2019 and 2018, the Company converted notes with principal amounts and accrued interest of $213,365 into 3,673,860,559 shares of common stock and $164,657 into 585,503,747 shares of common stock, respectively. The corresponding derivative liability at the date of conversion of $957,265 and $295,541 was credited to additional paid in capital, respectively.

**March 2015 Note**

On March 13, 2015, the Company issued a $10,000 convertible promissory note payable. The unsecured convertible promissory note payable is due upon demand and carries an interest rate of 12% per annum. The note payable is convertible at the option of the holder, at 50% of the lowest traded price for the 60 days preceding conversion as posted on the OTC Markets or on such US National Exchange upon which the Company may be listed. Effective March 13, 2015, the Company evaluated the terms of the conversion features of the convertible debenture in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity’s Own Stock and determined it is indexed to the Company’s common stock and that the conversion features meet the definition of a liability and therefore bifurcated the conversion feature and accounted for it as a separate derivative liability. The Company valued the conversion feature at the issue date (March 13, 2015) at $14,552 using the Black Scholes valuation model. $10,000 of the value assigned to the derivative liability was recognized as a debt discount on the convertible debenture. The debt discount was recorded as a reduction (contra-liability) to the convertible debenture and is being amortized over the life of the convertible debenture. The balance of $4,552 of the value assigned to the derivative liability was expensed on the issue date of the convertible note.

As of June 30, 2019, and 2018, the outstanding principal balance of the note was $0, the note had accrued interest of $454 and an unamortized debt discount of $0.

**November 2016 Note**

On November 15, 2016, the Company entered into four separate agreements with Greentree Financial Group, Inc., consisting of a Financial Advisory Agreement, a Loan Agreement, a Convertible Promissory Note, and a Warrant.

The Loan Agreement allows for the Company to borrow up to $250,000 from Greentree, which will be evidenced by various promissory notes, which will automatically mature 12 months from the date of applicable Note, will accrue interest at a rate of 12% per annum, and will include an original issuance discount (“OID”) of 10%. In addition, the promissory notes will be convertible at a price equal to 55% of the lowest trading price during the 10 trading days immediately prior to a conversion date. The conversion price shall not be lower than $0.0001. Note may not be converted prior to 6 months from its issuance. There is a 10% prepayment penalty associated with each of the promissory notes. An initial promissory note of $100,000 was issued on November 15, 2016. On January 26, 2017 and June 30, 2017, the Company issued convertible note of $75,000 and $75,000 according to the loan agreement on November 15, 2016. Note is currently in default.

The warrant issued to Greentree allows for the purchase of up to 5,000,000 shares of the Company’s common stock for a three-year period, expiring on November 15, 2019, with an exercise price of $0.03 per share. The warrants also contain a cashless exercise feature, based on a cashless exercise formula.

The Company determined that the exercise feature of the warrants met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity’s Own Stock. The Company will bifurcate the embedded conversion option in the note once the note becomes convertible and account for it as a derivative liability. The fair value of the warrants was recorded as a debt discount being amortized to interest expense over the term of the note.

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During the year ended June 30, 2018, a total of $19,000 note principal was assigned to two lenders under the same term and conversion price.

*Promissory Notes - Issued in fiscal year 2018*

During the year ended June 30, 2018, the Company issued a total of $180,614 note with the following terms:

|  |  |  |
| --- | --- | --- |
|  | · | Terms ranging from 6 months to 12 months. |
|  | · | Annual interest rates of 5% - 12%. |
|  | · | Convertible at the option of the holders at issuance. |
|  | · | Conversion prices are typically based on the discounted (35% to 45% discount) average closing prices or lowest trading prices of the Company’s shares during various periods prior to conversion. Certain notes allow for the conversion price to be a floor of $0.0002 per share. |
|  | · | Certain note allows the principal amount will increase by $15,000 and the discount rate of conversion price will decrease by 15% if the conversion price is less than $$0.01. As a result, the discount rate of conversion price changed from 45% to 60% and the Company recognized the penalty of $15,000 and recorded principal amount of $15,000. |

Certain notes allow the Company to redeem the notes at rates ranging from 115% to 150% depending on the redemption date provided that no redemption is allowed after the 180th day. Likewise, the note includes original issue discounts and financing costs totaling to $38,447 and the Company received cash of $142,167. Certain convertible notes of $116,666 are currently in default.

On June 25, 2018, the Company entered into and closed a financing transaction with Bellridge Capital L.P. consisting of a Securities Purchase Agreement, a Secured Convertible Promissory Note, and a Warrant.

The Securities Purchase Agreement provides that Bellridge Capital L.P. would receive a Secured Convertible Promissory Note in an amount of $78,947 in exchange for a funding amount of $78,947, and as additional consideration would also receive a Warrant for the purchase of an additional 394,735,000 shares of common stock. The Convertible Promissory Note will accrue interest at a rate of 5% per annum, default interest at a rate of 24% per annum, and will be convertible at a price equal to the lesser of (i) $0.0002, and (ii) the variable conversion price, which is defined as 65% of the lowest daily VWAP in the twenty (20) Trading Days prior to the Conversion Date . The “market price” is defined as the lowest trading price for the common stock during the twenty-five trading day period ending on the last complete trading day prior to the conversion date. The “trading price” is defined as the lowest trade price on the OTC Pink, OTCQB or applicable trading market. Bellridge Capital L.P. shall not be able to convert the promissory notes in an amount that would result in the beneficial ownership of greater than 4.99% of the outstanding shares of the Company, with the exception that the limitation may be waived by Bellridge Capital L.P. with 61 days prior notice. If, at any time when the note is issued and outstanding, the Company sells or issues shares of common stock for no consideration or for a consideration price per share less than the conversion price in effect on the date of such issuance, the conversion price for the note would be reduced to the amount of the consideration per share received by the Company for such dilutive issuance. If the Company prepays the note on or before 90 days following the date of the note, the Company shall be required to pay 115%, multiplied by the sum of the outstanding principal of the note, plus all accrued and unpaid interest and default interest if any. If the Company prepays the note during the period beginning 91 days and ending 180 days from the issue date of the note, the Company shall be required to pay 120% multiplied by the sum of the then outstanding principal amount of the note, plus accrued and unpaid interest and default interest, if any. If the Company prepays the note during the period beginning after 180 days from the issue date of the note, the Company shall be required to pay 125% multiplied by the sum of the then outstanding principal amount of the note, plus accrued and unpaid interest and default interest, if any.

The warrant issued to Bellridge Capital L.P. allows for the purchase of up to 394,735,000 shares of the Company’s common stock for a three-year period with an exercise price of $0.0002 per share. The warrants also contain a cashless exercise feature, based on a cashless exercise formula. In connection with the Secured Promissory Note, the Company entered into a Security Agreement which grants the Debtor a security interest in all of the assets of the Company. On March 15, 2019, the Company agreed to amend the conversion price of the note to the lower of $0.0002 or 55% of the lowest trading price in the 20 trading days prior to the conversion date and the exercise price of warrants to $0.0001.

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*Promissory Notes - Issued in fiscal year 2019*

During the year ended June 30, 2019, the Company issued a total of $105,000 of notes with the following terms:

|  |  |  |
| --- | --- | --- |
|  | · | Terms ranging from 3 months to 12 months. |
|  | · | Annual interest rates of 5% - 8%. |
|  | · | Convertible at the option of the holders at issuance. |
|  | · | Conversion prices are typically based on the discounted (45% discount) average closing prices or lowest trading prices of the Company’s shares during various periods prior to conversion. |
|  | · | The note of $80,000 is the tranche of Note issued on June 25, 2018. |

Certain notes allow the Company to redeem the notes at rates ranging from 115% to 125% depending on the redemption date provided that no redemption is allowed after the 180th day. Likewise, the note includes original issue discounts and financing costs totaling to $5,000 and the Company received cash of $100,000. Certain convertible note was also provided with a total of 50,000,000 common shares and 800,000,000 warrants.

*Derivative liabilities*

The Company determined that the exercise feature of the warrants met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity’s Own Stock. The Company will bifurcate the embedded conversion option in the note once the note becomes convertible and account for it as a derivative liability. The fair value of the warrants was recorded as a debt discount being amortized to interest expense over the term of the note.

The Company valued the conversion features using the Black Scholes valuation model. The fair value of the derivative liability for all the note and warrants that became convertible for the year ended June 30, 2018 amounted to $965,401. $277,167 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of $688,234 was recognized as a “day 1” derivative loss.

The fair value of the derivative liability for all the note that became convertible for the year ended June 30, 2019 amounted to $387,038. $85,000 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of $302,038 was recognized as a “day 1” derivative loss.

*Warrants*

The Company identified conversion features embedded within certain notes and warrants issued during the year ended June 30, 2018. The Company has determined that the conversion feature of the Notes represents an embedded derivative since the conversion price is variable and the Notes include a reset provision which could cause adjustments upon conversion. Accordingly, the Notes are not considered to be conventional debt and the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. The warrants are exercisable into 42,500,000 shares of common stock, for a period of five and three years from issuance, at a price of $0.0005 and $0.0001 per share. As a result of the reset features, the warrants increased by 193,181,818 and 150,681,818 for the year ended June 30, 2019 and 2018, respectively, and the total warrants exercisable into 386,636,636 shares of common stock at $0.000055 per share as of June 30, 2019. The reset feature of warrants associated with this convertible note was effective at the time that a separate convertible note with lower exercise price was issued. We accounted for the issuance of the Warrants as a derivative.

During the year ended June 30, 2019, the Company granted 800,000,000 warrants valued at $159,160 in conjunction with second tranche of Bellridge convertible note. The expiry date of warrant is on June 25, 2021.

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A summary of activity during the year ended June 30, 2019 and 2018 follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Warrants Outstanding** | | | | | |  |
|  |  |  | |  |  | **Weighted Average** | |  |
|  |  | **Shares** | |  |  | **Exercise Price** | |  |
| Outstanding, June 30, 2017 |  |  | 5,000,000 |  |  | $ | 0.03 |  |
|  |  |  |  |  |  |  |  |  |
| Granted |  |  | 437,235,000 |  |  |  | 0.0002 |  |
| Reset feature |  |  | 150,681,818 |  |  |  | 0.0001 |  |
| Exercised |  |  | - |  |  |  | - |  |
| Forfeited/canceled |  |  | - |  |  |  | - |  |
| Outstanding, June 30, 2018 |  |  | 592,916,818 |  |  | $ | 0.0004 |  |
| Granted |  |  | 800,000,000 |  |  |  | - |  |
| Reset feature |  |  | 193,181,818 |  |  |  | 0.0000 |  |
| Exercised |  |  | - |  |  |  | - |  |
| Forfeited/canceled |  |  | - |  |  |  | - |  |
| Outstanding, June 30, 2019 |  |  | 1,586,098,636 |  |  | $ | 0.0002 |  |

The following table summarizes information relating to outstanding and exercisable warrants as of June 30, 2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Warrants Outstanding** | | | | | | | |  |  | **Warrants Exercisable** | | | | | |  |
| **Number of**  **Shares** | |  |  | **Weighted Average**  **Remaining**  **Contractual life**  **(in years)** | |  |  | **Weighted**  **Average**  **Exercise**  **Price** | |  |  | **Number of**  **Shares** | |  |  | **Weighted**  **Average**  **Exercise**  **Price** | |  |
|  | 5,000,000 |  |  |  | 0.38 |  |  | $ | 0.03 |  |  |  | 5,000,000 |  |  | $ | 0.03 |  |
|  | 386,363,636 |  |  |  | 3.29 |  |  | $ | 0.000055 |  |  |  | 386,363,636 |  |  | $ | 0.000055 |  |
|  | 1,194,735,000 |  |  |  | 1.99 |  |  | $ | 0.0001 |  |  |  | 1,194,735,000 |  |  | $ | 0.0001 |  |
|  | 1,586,098,636 |  |  |  | 2.30 |  |  | $ | 0.0002 |  |  |  | 1,586,098,636 |  |  | $ | 0.0002 |  |

**6. CONVERTIBLE LOANS – RELATED PARTY**

At June 30, 2019 and 2018, convertible loan – related party consisted of the following:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Convertible notes - related party -Issued in fiscal year 2018 |  |  | - |  |  |  | 8,333 |  |
| Total convertible notes payable |  |  | - |  |  |  | 8,333 |  |
|  |  |  |  |  |  |  |  |  |
| Accrued interest -related party |  |  | - |  |  |  | 644 |  |
| Less: Unamortized debt discount - related party |  |  | - |  |  |  | - |  |
| Total convertible notes |  |  | - |  |  |  | 8,977 |  |
|  |  |  |  |  |  |  |  |  |
| Less: current portion of convertible notes - related party |  |  | - |  |  |  | 8,977 |  |
| Long-term convertible notes |  | $ | - |  |  | $ | - |  |

During the year ended June 30, 2019 and 2018, the Company recognized amortization of discount, included in interest expense, of $0 and $8,333, respectively.

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*Conversion*

During the year ended June 30, 2019, the Company converted notes with principal amounts and accrued interest of $10,158 into 101,597,905 shares of common stock. The corresponding derivative liability at the date of conversion of $30,479 was settled through additional paid in capital.

*Promissory Notes - Issued in fiscal year 2018*

During the year ended June 30, 2018, the Company issued a total of $8,333 note with the following terms:

|  |  |  |
| --- | --- | --- |
|  | · | Terms of 6 months. |
|  | · | Annual interest rates of 8%. |
|  | · | Convertible at the option of the holders at issuance. |
|  | · | Conversion prices are typically based on the discounted (45% discount) average closing prices of the Company’s shares during 20 days prior to conversion. |

The Company received cash of $8,333. Note is currently in default.

The Company determined that the conversion feature met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity’s Own Stock and therefore bifurcated the embedded conversion option once the note becomes convertible and accounted for it as a derivative liability. The fair value of the conversion feature was recorded as a debt discount and amortized to interest expense over the term of the note.

The Company valued the conversion feature using the Black Scholes valuation model. The fair value of the derivative liability for all the notes that became convertible, including the notes issued in prior years, during the year ended June 30, 2018 amounted to $9,371. $8,333 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of $1,038 was recognized as a “day 1” derivative loss.

**7. DERIVATIVE LIABILITIES**

The Company analyzed the conversion option for derivative accounting consideration under ASC 815, Derivatives and Hedging, and hedging, and determined that the instrument should be classified as a liability since the conversion option becomes effective at issuance resulting in there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options.

Fair Value Assumptions Used in Accounting for Derivative Liabilities.

ASC 815 requires we assess the fair market value of derivative liability at the end of each reporting period and recognize any change in the fair market value as other income or expense item.

The Company determined our derivative liabilities to be a Level 3 fair value measurement and used the Black-Scholes pricing model to calculate the fair value as of June 30, 2019. The Black-Scholes model requires six basic data inputs: the exercise or strike price, time to expiration, the risk free interest rate, the current stock price, the estimated volatility of the stock price in the future, and the dividend rate. Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each convertible note is estimated using the Black-Scholes valuation model.

For the year ended June 30, 2019 and 2018, the estimated fair values of the liabilities measured on a recurring basis are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Year Ended** | |  |  | **Year Ended** | |  |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Expected term |  | 0.17 - 4.04 years | |  |  | 0.04 - 5.00 years | |  |
| Expected average volatility |  | 270% - 683 | | % |  | 147%-488 | | % |
| Expected dividend yield |  |  | - |  |  |  | - |  |
| Risk-free interest rate |  | 1.75% - 2.94 | | % |  | 0.96%-2.73 | | % |

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The following table summarizes the changes in the derivative liabilities during the year ended June 30, 2019 and 2018:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fair Value Measurements Using Significant Observable Inputs (Level 3) | | | |  |
|  |  |  | |  |
| Balance - June 30, 2017 |  | $ | 114,316 |  |
| Addition of new derivatives recognized as debt discounts |  |  | 285,500 |  |
| Addition of new derivatives recognized as loss on derivatives |  |  | 689,272 |  |
| Settled on issuance of common stock |  |  | (295,541 | ) |
| Loss on change in fair value of the derivative |  |  | 223,318 |  |
| Balance - June 30, 2018 |  |  | 1,016,865 |  |
|  |  |  |  |  |
| Addition of new derivatives recognized as debt discounts |  |  | 85,000 |  |
| Addition of new derivatives recognized as loss on derivatives |  |  | 461,198 |  |
| Settled due to conversion of debt |  |  | (987,744 | ) |
| Loss on change in fair value of the derivative |  |  | 3,493 |  |
| Balance - June 30, 2019 |  | $ | 578,812 |  |

The aggregate loss on derivatives during the year ended June 30, 2019 and 2018 was $464,691 and $912,590, respectively.

**9. COMMITMENTS AND CONTINGENCIES**

*Leases and Long term Contracts*

The Company has not entered into any long-term leases, contracts or commitments.

*Legal*

To the best of the Company’s knowledge and belief, no legal proceedings are currently pending or threatened.

During fiscal year 2017, the Company entered into discussions regarding a proposed merger with Decision Diagnostics Corporation (“DECN”) and entered into a Preliminary Agreement Leading to a Triangular Merger (“Merger Agreement”). The Company determined that the Merger Agreement was not in the best interest of its Shareholders and terminated the Merger Agreement. In order to resolve any potential disputes or claims, the Company entered into a Settlement Agreement and Release (“Settlement”).

DECN shall forever release and discharge, any and all claims or demands, of any type or description, whether known or unknown, that have been asserted or could have been asserted against the Company and shall further forever release and discharge the Company, from any and all claims, demands, causes of action, and liabilities of any kind whatsoever (upon any legal or equitable theory, whether contractual, common-law, statutory, federal, state, local, or otherwise) (collectively the “Claims”), arising by reason of any act, omission, transaction or occurrence which DECN ever had or now has against the Company existing on, after, or prior to the execution date of the Settlement Agreement. DECN further agrees to indemnify the Company to the fullest extent of the law with respect to any violation by DECN of the releases and discharges given hereunder.

According to the Settlement, the Company issued 75,000,000 shares of common stock in October 2017. During the year ended June 30, 2018, the Company recorded settlement expense of $67,500.

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*Agreements*

In December 2016, the Company entered into contract agreements with Big Dreams ventures, LLC and M Endeavors, LLC, for marketing the services to Doctors office, clinic and hospitals for the term of 5 years. The Agreements shall automatically renew for successive 12-month periods unless otherwise terminated in accordance with the terms of the Agreements. The Company was required to pay monthly fees of $10,000 and $8,000, respectively, and expenses related to these contracts. On September 6, 2017, the Company entered into an amended agreement with M Endeavors, LLC and Big Dream together and agreed to pay a total of $12,000 monthly for a term of one year. The Company mutually agreed to terminate this agreement and an outstanding obligation was fully forgiven. During the year ended June30, 2019, the Company recognized gain on settlement of debt of $180,250. As of June 30, 2019 and 2018, the Company recorded accrued expenses of $0 and $180,250, respectively.

On October 2, 2017, the Company entered into an agreement with Pacific Pain & Regenerative Medicine. The Company was required to pay $3,000 per month for a collector in exchange for a minimum of 5 PGX tests per week or 20 per month. During the year ended June 30, 2018, the Company terminated the services and stopped making the monthly payments. As of June 30, 2019 and 2018, the Company recorded accrued expense of $21,000 and $21,000, respectively.

On October 17, 2017, the Company entered into an agreement of the acquisition financing of up to $30,000,000 (“the “Placement’) with Wellington Shields $ Co. The Company shall pay (i) a success fee equal to 8% of the gross proceeds of the Placement, (ii) 3% of the total Company’s shares outstanding at the time of closing the placement, and (iii) was required to pay $15,000 at the time of signing and $10,000 per month. This engagement agreement terminated at the close of business April 30, 2018. During the year ended June 30, 2019, the Company recognized gain on settlement of debt of $50,000. As of June 30, 2019 and 2018, the Company recorded accrued expense of $10,000 and $60,000, respectively.

*Rent*

As of January 30, 2013, the Company leases office space at $200 per month with three-month terms, which shall be automatically extended for successive three-month periods unless there is the notice to cancel. The lease can be cancelled at any time by either party with 30 days’ notice prior to expiration of an applicable term. For the years ended June 30, 2019 and 2018, the Company incurred $2,496 and $2,484, respectively.

**10. SHAREHOLDERS’ EQUITY**

*Amendment to Articles of Incorporation or Bylaws*

On February 15, 2018, the Company filed a Certificate of Amendment with the state of South Dakota, to the Company’s Articles of Incorporation, to increase in the number of authorized shares of its common stock from 1,500,000,000 to 6,000,000,000, par value $0.0001 and to increase the number of authorized Series A Preferred Stock from 5,000,000 to 60,000,000, par value $0.0001.

*Convertible Preferred Stock*

The Company is authorized to issue 60,000,000 shares of convertible preferred stock at a par value of $0.0001.

Each convertible preferred share is convertible into 1,500 shares of common stock and has the voting rights of 1,000 shares of common stock.

On May 23, 2019, the Company issued 4,750,000 of its restricted convertible preferred stock to its CEO in exchange for $285,000 of accrued compensation (See Note 11).

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As of June 30, 2019 and 2018, 9,750,000 and 5,000,000 shares of the Company's convertible preferred stock were issued and outstanding, respectively.

*Common Stock*

The Company is authorized to issue 6,000,000,000 shares of common stock at a par value of $0.0001.

During the year ended June 30, 2019, the Company issued 3,855,458,464 shares of common stock as follows;

|  |  |  |
| --- | --- | --- |
|  | · | 3,775,458,464 shares for conversion of debt and accrued interest of $223,523 |
|  | · | 50,000,000 shares in conjunction with convertible note for $15,000 |
|  | · | 30,000,000 shares exchange for common stock payable |
|  | | |
| During the year ended June 30, 2018, the Company issued common shares as follows; | | |
|  | | |
|  | · | an aggregate of 585,503,747 common shares were issued for the conversion of debt and accrued interest of $164,657, and released derivative liabilities of $295,541 to paid-in capital |
|  | · | 30,000,000 common shares were issued for cash of $200 and reduction in common stock payable of $57,273 |
|  | · | 75,000,000 common shares were issued with a fair value of $67,500 according to the settlement (Note9). |
|  | · | 30,000,000 common shares were issued with a fair value of $17,000 for consulting services |

As of June 30, 2019 and 2018, 5,095,935,524and 1,240,477,060 shares of the Company’s common stock were issued and outstanding, respectively.

*Stock payable*

The Company had insufficient authorized shares as of June 30, 2017 and as a result, the Company had $105,000 in stock payable for which it is obligated to issue 55,000,000 shares of common stock for consulting services. During the year ended June 30, 2018 the company issued 30,000,000 common shares for cash of $200 and reduced common stock payable by $57,273.

As of June 30, 2019, the Company had $47,727 in stock payable for which it is obligated to issue 25,000,000 shares of common stock for consulting services.

On November 13, 2017, the Company entered into a consulting agreement with a third party for the term of 5 years with a consideration of an issuance of 40,000,000 shares of common stock valued at $20,000. The share shall be issued in two tranches with first tranche of 10,000,000 shares being due at signing of this agreement and an additional 30,000,000 shares are due on the 3 months anniversary of this agreement. During the year ended June 30, 2018, the Company issued 10,000,000 shares with a fair value of $5,000. On February 16, 2019, the Company issued 30,000,000 shares.

**11. RELATED PARTY TRANSACTIONS**

In March 2016, the Company appointed current CEO and approved a base compensation package of $8,000 per month for CEO. The President of the Company provided management and office premises to the Company for no compensation in 2015. During the year ended June 30, 2019, the Company issued 4,750,000 shares of convertible preferred stock for a settlement of accrued salary of $285,000. As a result, the Company recognized a loss on settlement of debt of $427,500. As of June 30, 2019 and 2018, the Company recorded accrued salary of $3,506 and $224,000, respectively.

During the year ended June 30, 2019 and 2018, the Company borrowed a total amount of $437 and $21,098 from Evergreen Venture Partners LLC (“EVP”), which the CEO is the majority owner, and repaid $300 and $6,618, respectively. This loan is a non-interest bearing and due on demand. As of June 30, 2019 and 2018, the Company owed EVP, a related party $88,224 and $88,087, respectively.

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On November 15, 2017, the Company entered into a distribution agreement with Cedar Creek Labs Series Two LLC (“LLC”) for the term of 1 year. The agreement shall be automatically extended for successive 1 year unless there is the notice to terminate. The Company shall use best efforts to market the Products for the LLC and will receive compensation ranging from 15% to 40% of profit. The Company owns membership interests of 5% in LLC and the transactions between the Company and LLC which is an equity method investee are deemed to be between related parties. During the year ended June 30, 2019 and 2018, the Company recorded revenue – related party of $0 and $2,900 and collected accounts receivable – related party of $0 and $2,900, respectively.

**12. INCOME TAXES**

The Company follows ASC 740. Deferred income taxes reflect the net effect of (a) temporary difference between carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax reporting purposes, and (b) net operating loss carry-forwards. No net provision for refundable Federal income tax has been made in the accompanying statement of loss because no recoverable taxes were paid previously. Similarly, no deferred tax asset attributable to the net operating loss carry-forward has been recognized, as it is not deemed likely to be realized.

The provision for refundable federal income tax at 21% consists of the following for the periods ending:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Federal income tax (expense) benefit attributed to: |  |  | |  |  |  | |  |
| Net operating loss |  | $ | 55 |  |  | $ | 219,755 |  |
| Valuation |  |  | (55 | ) |  |  | (219,755 | ) |
| Net benefit |  | $ | - |  |  | $ | - |  |

The cumulative tax effect at the expected rate of 21% of significant items comprising our net deferred tax amount is as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Deferred tax attributed: |  |  | |  |  |  | |  |
| Net operating loss carryover |  | $ | 334,068 |  |  | $ | 556,689 |  |
| Effect of change in the statutory rate |  |  | - |  |  |  | (222,676 | ) |
| Less: change in valuation allowance |  |  | (334,068 | ) |  |  | (334,013 | ) |
| Net deferred tax asset |  | $ | - |  |  | $ | - |  |

As at June 30, 2019, the Company had an unused net operating loss (“NOL”) carry-forward of approximating $1,590,803 that is available to offset future taxable income; the loss carry-forward will start to expire in 2033. The utilization of these NOLs may become subject to limitations based on past and future changes in ownership of the Company pursuant to Internal Revenue Code Section 382.

Income taxes for the years ended 2012 through 2019, remain subject to examination.

**13. SUBSEQUENT EVENTS**

Subsequent to June 30, 2019, the Company issued 65,205,250 shares of common stock fo conversion of debt and accrued interest of $2,608.

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not Applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

*Evaluation of disclosure controls and procedures*

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO")/Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation (the “Evaluation”), under the supervision and with the participation of our CEO/CFO of the effectiveness of the design and operation of our disclosure controls and procedures (“Disclosure Controls”) as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. Based on this evaluation and the existence of the material weaknesses discussed below in *“Management's Report on Internal Control over Financial Reporting,”* our management, including our CEO/CFO concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of the end of the period covered by this Report.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

*Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

|  |  |  |
| --- | --- | --- |
|  | · | pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; |
|  |  |  |
|  | · | provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and |
|  |  |  |
|  | · | provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements. |

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework 2013*. Based on this assessment, management concluded that our internal control over financial reporting was not effective as of June 30, 2019 due to the existence of the material weaknesses as of June 30, 2019, discussed below. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected in the following areas:

|  |  |  |
| --- | --- | --- |
|  | · | Because of our company’s limited resources, there are limited controls over information processing. |
|  |  |  |
|  | · | There is an inadequate segregation of duties consistent with control objectives. Our company’s management is composed of only one person, resulting in a situation where limitations on segregation of duties exist. In order to remedy this situation we would need to hire additional staff to provide greater segregation of duties. Currently, it is not feasible to hire additional staff to obtain optimal segregation of duties. Management will reassess this matter in the following year to determine whether improvement in segregation of duty is feasible. |
|  |  |  |
|  | · | Our company does not have a formal audit committee with a financial expert, and thus our company lacks the board oversight role within the financial reporting process. |
|  |  |  |
|  | · | There is a lack of formal policies and procedures necessary to adequately review significant accounting transactions. Our company utilizes a third party independent contractor for the preparation of its financial statements. Although the financial statements and footnotes are reviewed by our management, we do not have a formal policy to review significant accounting transactions and the accounting treatment of such transactions. The third party independent contractor is not involved in the day to day operations of our company and may not be provided information from management on a timely basis to allow for adequate reporting/consideration of certain transactions. |

Management believes that the material weaknesses set forth above were the result of the scale of our operations and are intrinsic to our small size. Management believes these weaknesses did not have a material effect on our financial results and intends to take remedial actions upon receiving funding for our company’s business operations.

Our management will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

This Annual Report on Form 10-K does not include an attestation report of our company’s registered public accounting firm regarding internal control over financial reporting due to permanent exemptions for smaller reporting companies.

*Changes in Internal Control Over Financial Reporting*

There have been no changes in our internal controls over financial reporting that occurred during the year ended June 30, 2019 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Except as provided above, there is no information to be disclosed in a report on Form 8-K during the fourth quarter of the year covered by this Form 10-K that has not been previously filed with the Securities and Exchange Commission.

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**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

**Identification of Directors and Executive Officers.**

***The Company:***The following individuals are current members of our Board of Directors and executive officers; all of the members of the Board are appointed until their respective successor is elected or until their resignation.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name** |  | **Position Held with the Company** |  | **Age** |  | **Date First Elected or Appointed** |
| Douglas O. McKinnon |  | Chief Executive Officer and Chief Financial Officer |  | 67 |  | March 7, 2016 |
| Keri Williams |  | Secretary and Director |  | 48 |  | January 8, 2014 |
| Devin Beavers |  | Director |  | 48 |  | February 16, 2016 |

**Business Experience**

The following is a brief account of the education and business experience during at least the past five years of each director, executive officer and key employee of our company, indicating the person’s principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

***Douglas O. McKinnon - Chief Executive Officer and Chief Financial Officer***

Mr. McKinnon was appointed chief executive officer and chief financial officer of our company on March 7, 2016.

Over the past two years, Mr. McKinnon has served as Executive Vice President, Chief Financial Officer and member of the Board of Directors of Surna, Inc. (OTCQB: SRNA), a provider of climate control and environmental systems for use in the legal marijuana industry. Prior to Surna, he served as President of a private oil & gas technology company.

Doug McKinnon's 30 plus year professional career includes advisory and operation experience across a broad spectrum of industry sectors, including oil and gas, technology, and communications. He has served in C-level positions in both private and public sectors, including chairman and CEO of an American Stock Exchange traded company, Vice President of a $12 billion market cap NASDAQ-traded company for which the management team raised over $2.2 billion, CFO of several publicly held US, Canadian and Australian companies, and CEO/CFO of various other private enterprises.

As an entrepreneur, Mr. McKinnon has been involved in organizations ranging from start-up companies using venture capital funding to publicly traded, institutional investor-backed companies. Mr. McKinnon attended Texas Christian University. He worked for nine years as a CPA in the SEC and the oil and gas practice section of Coopers & Lybrand (now PricewaterhouseCoopers). Additionally, Mr. McKinnon has extensive merger & acquisition and turnaround experience.

Our company believes that Mr. McKinnon’s professional background experience gives him the qualifications and skills necessary to serve as an officer of our company.

***Keri Williams – Secretary and Director***

Mrs. Williams was appointed secretary of our company on January 8, 2014 and was elected to our board of directors on February 16, 2016.

Keri Williams is an experienced business owner and a successful product management executive. She began her career as an Executive Assistant in the Cellular Phone Industry. In 2007, she was named Office Manager for Greenleaf Wholesale Florist in Fort Worth, Texas, where she handled all the daily accounts receivables, data entry and banking transactions. In 2011, Mrs. Williams added Supply Management to her duties where she was responsible for both incoming & outgoing inventory management. Mrs. Williams has over 20 years of experience in executive management.

Our company believes that Mrs. Williams’ professional background experience gives her the qualifications and skills necessary to serve as a director of our company.

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***Devin Beavers - Director***

Mr. Beavers was elected to our board of directors on February 16, 2016 and was also appointed interim executive officer and interim chief financial officer. Mr. Beavers resigned as interim executive officer and interim chief financial officer on March 7, 2016.

Devin F Beavers is an accomplished consultant in business development. After attending Tarleton State University, Mr. Beavers acquired most of his business experience at Ben E Keith Beverages in Ft. Worth Texas. He brings to our company more than 25 years of experience in strategic planning, effective communication and negotiation skills. As a senior level manager, Mr. Beavers led BEK Beverages providing superior leadership during critical transition phases. His responsibilities included implementing budget reductions, writing business plans, and positively facilitating a work environment of consistent growth and increased productivity.

Our company believes that Mr. Beavers’ professional background experience gives him the qualifications and skills necessary to serve as a director of our company.

**Employment Agreements**

We have no formal employment agreements with any of our directors or officers.

**Family Relationships**

There are no family relationships between any of our directors, executive officers and proposed directors or executive officers.

**Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

|  |  |
| --- | --- |
| 1. | been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences); |
|  |  |
| 2. | had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time; |
|  |  |
| 3. | been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity; |
|  |  |
| 4. | been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated; |
|  |  |
| 5. | been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or |

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| 6. | been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26)), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29)), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member. |

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the SEC initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our shares of common stock and other equity securities, on Forms 3, 4 and 5, respectively. Executive officers, directors and greater than 10% shareholders are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of such forms received by our company, or written representations from certain reporting persons that no Form 5s were required for those persons, we believe that, during the fiscal year ended June 30, 2018, all filing requirements applicable to our officers, directors and greater than 10% beneficial owners as well as our officers, directors and greater than 10% beneficial owners of our subsidiaries were complied with.

**Code of Ethics**

We have not adopted a Code of Business Conduct and Ethics.

**Board and Committee Meetings**

Our board of directors held no formal meetings during the year ended June 30, 2019. All proceedings of the board of directors were conducted by resolutions consented to in writing by all the directors and filed with the minutes of the proceedings of the directors. Such resolutions consented to in writing by the directors entitled to vote on that resolution at a meeting of the directors are, according to the South Dakota Revised Business Corporation Act and our Bylaws, as valid and effective as if they had been passed at a meeting of the directors duly called and held.

**Nomination Process**

As of June 30, 2019, we did not effect any material changes to the procedures by which our shareholders may recommend nominees to our board of directors. Our board of directors does not have a policy with regards to the consideration of any director candidates recommended by our shareholders. Our board of directors has determined that it is in the best position to evaluate our company’s requirements as well as the qualifications of each candidate when the board considers a nominee for a position on our board of directors. If shareholders wish to recommend candidates directly to our board, they may do so by sending communications to the president of our company at the address on the cover of this annual report.

**Audit Committee**

Currently our audit committee consists of our entire board of directors. We do not have a standing audit committee as we currently have limited working capital and minimal revenues. Should we be able to raise sufficient funding to execute our business plan, we will form an audit, compensation committee and other applicable committees utilizing our directors’ expertise.

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**ITEM 11. EXECUTIVE COMPENSATION**

The particulars of the compensation paid to the following persons:

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| --- | --- | --- |
|  | (a) | our principal executive officer; |
|  |  |  |
|  | (b) | each of our two most highly compensated executive officers who were serving as executive officers at the end of the years ended June 30, 2019 and 2018; and |
|  |  |  |
|  | (c) | up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the years ended June, 2019 and 2018, who we will collectively refer to as the named executive officers of our company, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than our principal executive officers, whose total compensation did not exceed $100,000 for the respective fiscal year: |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name and Principal Position** |  | **Year** | |  |  | **Salary**  **($)** | |  |  | **Bonus**  **($)** | |  |  | **Stock Awards**  **($)** | |  |  | **Option Awards**  **($)** | |  |  | **Non-Equity Incentive Plan Compensa-tion**  **($)** | |  |  | **Change in Pension**  **Value and Nonqualified Deferred Compensa-tion Earnings**  **($)** | |  |  | **All**  **Other Compensa-tion**  **($)** | |  |  | **Total**  **($)** | |  |
| Douglas O. McKinnon(1) |  |  | 2019 |  |  |  | 96,000 |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  |  | 96,000 |  |
| *CEO and CFO* |  |  | 2018 |  |  |  | 96,000 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 96,000 |  |
|  |  |  |  |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Keri Williams(2) |  |  | 2019 |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |
| *Secretary and Director* |  |  | 2018 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Devin Beavers(3) |  |  | 2019 |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |
| *Director* |  |  | 2018 |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |  | - | |  |

Note:

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| --- | --- |
| (1) | Mr. McKinnon was appointed as our chief executive officer and chief financial officer on March 7, 2016. Salary has been accrued but not paid in cash as of the filing of this Proxy Statement. |
|  |  |
| (2) | Mrs. Williams was appointed as secretary on January 8, 2014. |
|  |  |
| (3) | Mr. Beavers was appointed director, interim chief executive officer and interim chief financial officer on February 16, 2016 and resigned as interim chief executive officer and interim chief financial officer on March 7, 2016. |

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive share options at the discretion of our board of directors in the future. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that share options may be granted at the discretion of our board of directors.

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**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of October 15, 2019 by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities, (ii) members of our Board of Directors, and or (iii) our executive officers. Unless otherwise indicated, the stockholder listed possesses sole voting and investment power with respect to the shares shown.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name** |  | **Number of**  **Shares of**  **Common**  **Stock(a)** | |  |  | **Percent of**  **Common**  **Stock** |  | **Number of Shares of Series A Preferred Stock(b)** | |  |  | **Percent of**  **Series A**  **Preferred Stock** | |  |  | **Total Voting**  **Shares(b)** | |  |  | **Percent of Total**  **Voting Shares(c)** | |  |
| Douglas O. McKinnon |  | - | |  |  | - |  |  | 6,416,667 |  |  |  | 65.8 | % |  |  | 6,416,667,000 |  |  |  | 43.0 | % |
| Keri Williams |  |  | 24,000,000 |  |  | \* |  | - | |  |  | - | |  |  |  | 24,000,000 |  |  | \* | |  |
| Devin Beavers |  |  | 5,000,000 |  |  | \* |  | - | |  |  | - | |  |  |  | 5,000,000 |  |  | \* | |  |
| ***Directors and Executive Officers as a Group (3 persons)*** |  |  | **29,000,000** |  |  | **\*** |  |  | 6,416,667 |  |  |  | **65.8** | **%** |  |  | 6,445,667,000 |  |  |  | **43.2** | **%** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***5% Stockholders*** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| BBBY, Ltd(1) |  |  |  |  |  | **\*** |  |  | 1,666,667 |  |  |  | 17.1 | % |  |  | 1,777,667,000 |  |  |  | 12.1 | % |

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| --- | --- |
| \* | Represents an amount less than 1%. |
|  |  |
| (a) | Includes (i) options, warrants and convertible securities exercisable or convertible for common stock, and (ii) shares of common stock issuable upon conversion of preferred stock, which shares are also provided separately in the table above where applicable, each within 60 days of the record date. the shares in the column “Number of Common Stock Shares” includes all shares which could be issued upon exercise or conversion of outstanding exercisable or convertible securities held by such stockholder. |
|  |  |
| (b) | Each share of Series A Preferred Stock converts into common stock at the option of each holder on a one-for-1,500 basis and votes 1,000 voting shares on all stockholder matters. |
|  |  |
| (c) | Based on 14,911,140,774 total voting shares as of October 15, 2109. As of October 15, 2019, there were 5,161,140,774 shares of our company’s common stock issued and outstanding and 9,750,000 shares of our preferred stock issued and outstanding. |
|  |  |
| (1) | Address: 777 Main Street, Suite 600, Fort Worth Texas 76102. Includes 1,666,667 shares of Preferred Stock, held in the name of BBBY, Ltd. The beneficial owner of the shares held by BBBY, Ltd. is Byron Young, its Manager. |

Our company has not adopted any equity compensation plans and does not anticipate adopting any equity compensation plans in the near future. Notwithstanding the foregoing, because the company has limited cash resources at this time, it may issue shares or options to or enter into obligations that are convertible into shares of common stock with its employees and consultants as payment for services or as discretionary bonuses. The company does not have any arrangements for such issuances or arrangements at this time.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Other than as described below, our company has not engaged in any transactions with any of its related persons.

In March 2016, the Company appointed current CEO and approved a base compensation package of $8,000 per month for CEO. The President of the Company provided management and office premises to the Company for no compensation in 2015. During the year ended June 30, 2019, the Company issued 4,750,000 shares of convertible preferred stock for a settlement of accrued salary of $285,000 As a result, the Company recognized a loss on settlement of debt of $427,500. As of June 30, 2019 and 2018, the Company recorded accrued salary of $3,506 and $224,000, respectively.

During the years ended June 30, 2019 and 2018, the Company borrowed a total amount of $437 and $21,098 from Evergreen Venture Partners LLC (“EVP”), which the CEO is the majority owner, and repaid $300 and $6,618, respectively. This loan is a non-interest bearing and due on demand. As of June 30, 2019 and 2018, the Company owed EVP, a related party $88,224 and $88,087, respectively.

On November 15, 2017, the Company entered into a distribution agreement with Cedar Creek Labs Series Two LLC (“LLC”) for the term of 1 year. The agreement shall be automatically extended for successive 1 year unless there is the notice to terminate. The Company shall use best efforts to market the Products for the LLC and will receive compensation ranging from 15% to 40% of profit. The Company owns membership interests of 5% in LLC and the transactions between the Company and LLC which is an equity method investee are deemed to be between related parties. During the year ended June 30, 2018, the Company recorded revenue – related party of $2,900 and collected accounts receivable – related party of $2,900.

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**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The aggregate fees billed for the most recently completed fiscal year ended June 30, 2019 and for fiscal year ended June 30, 2018 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Fee Category** |  | **Year Ended**  **June 30, 2019** | |  |  | **Year Ended**  **June 30, 2018** | |  |
|  |  |  | |  |  |  | |  |
| Audit Fees |  | $ | 24,000 |  |  | $ | 22,800 |  |
| Audit-Related Fees |  |  | - |  |  |  | - |  |
| Tax Fees |  |  | - |  |  |  | - |  |
| All Other Fees |  |  | - |  |  |  | - |  |
| Total Fees |  | $ | 24,000 |  |  | $ | 22,800 |  |

Our board of directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the board of directors either before or after the respective services were rendered.

Our board of directors has considered the nature and amount of fees billed by our independent auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining our independent auditors’ independence.

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**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

|  |  |  |
| --- | --- | --- |
|  | (a) | Financial Statements |

|  |  |  |
| --- | --- | --- |
|  | (1) | Financial statements for our company are listed in the index under Item 8 of this document. |
|  |  |  |
|  | (2) | All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto. |

|  |  |  |
| --- | --- | --- |
|  | (b) | Exhibits |

|  |  |  |
| --- | --- | --- |
| **Exhibit Number** |  | **Description** |
| **(21)** |  | **Subsidiaries of the Registrant** |
| [21.1\*](apyp_ex211.htm) |  | [List of Subsidiaries](apyp_ex211.htm) |
| **(31)** |  | **Rule 13a-14 (d)/15d-14d) Certifications** |
| [31.1\*](apyp_ex311.htm) |  | [Section 302 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer](apyp_ex311.htm) |
| **(32)** |  | **Section 1350 Certifications** |
| [32.1\*\*](apyp_ex321.htm) |  | [Section 906 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer](apyp_ex321.htm) |
| **101**\* |  | **Interactive Data File** |
| 101.INS |  | XBRL Instance Document |
| 101.SCH |  | XBRL Taxonomy Extension Schema Document |
| 101.CAL |  | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF |  | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB |  | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE |  | XBRL Taxonomy Extension Presentation Linkbase Document |

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*\* Filed herewith.*

*\*\* Furnished herewith.*

**ITEM 16. FORM 10-K SUMMARY**

None.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **APPYEA, INC.** | |  |
|  |  |  |  |
| Dated: October 18, 2019 | By: | */s/ Douglas O. McKinnon* |  |
|  |  | Douglas O. McKinnon |  |
|  |  | Chief Executive Officer, Chief Financial Officer and Director |  |
|  |  | (Principal Executive Officer, Principal  Financial Officer and Principal Accounting Officer) |  |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

|  |  |  |  |
| --- | --- | --- | --- |
| Dated: October 18, 2019 |  | */s/ Douglas O. McKinnon* |  |
|  |  | Douglas O. McKinnon |  |
|  |  | Chief Executive Officer, Chief Financial Officer and Director |  |
|  |  | (Principal Executive Officer, Principal  Financial Officer and Principal Accounting Officer) |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Dated: October 18, 2019 |  | */s/ Keri Williams* |  |
|  |  | Keri Williams |  |
|  |  | Secretary and Director |  |
|  |  |  |  |
| Dated: October 18, 2019 |  | /s/ *Devin Beavers* |  |
|  |  | Devin Beavers |  |
|  |  | Director |  |

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