ACN 611 576 777

Financial Report
CFOAM Limited and its controlled entity
For the year ended 30 June 2017

CORPORATE DIRECTORY

Directors
Gary Steinepreis
Non-Executive Chairman

Alain Bouruet-Aubertot
Executive Director

Toby Chandler
Non-Executive Director

Todd Hoare
Non-Executive Director

Registered Office
Level 1
33 Ord Street
WEST PERTH WA 6005

Telephone: + 61 8 9420 9300
Facsimile: + 61 8 9420 9399

Website: www.cfoam.com

Company Secretary
Gary Steinepreis

ASX Code
CFO

Share Registry
Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth WA 6000
Investor enquiries: 1300 557 010
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Solicitors
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Buchanan Ingersoll & Rooney PC
One Oxford Centre
301 Grant Street, 20th Floor
Pittsburgh, PA 15219

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

CFOAM LIMITED
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FOR THE YEAR ENDED 30 JUNE 2017

The Director's present their report, together with the financial report of CFOAM Limited and its wholly owned subsidiary Carbon Innovations, LLC (**Group**) for the year ended 30 June 2017 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

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

Gary Steinepreis – the director was in office for this entire period.
Toby Chandler – the director was in office for this entire period.
Todd Hoare – appointed 16 June 2017.
Alain Bouruet-Aubertot – appointed 7 July 2017.
Michael Placha – resigned 7 July 2017.

Particulars of each director's experience and qualifications are set out later in this report.

Principal activity

The principal activity of the Group is the commercialisation of the CFOAM business. CFOAM is an inorganic carbon material that is manufactured from coal, pitch or lignin feedstock. CFOAM manufactured in this process has a rigid foam structure similar in appearance to pumice stone, but with entirely different properties. CFOAM is currently used across a wide variety of markets including composite tooling for the aerospace sector, energy absorbing applications and defence applications. Additional markets such as the automotive applications for energy absorption and fire resistance are also expected to become significant to the Company over time. CFOAM was developed to meet the growing demand for ultra-high end performance engineering materials in the industrial, aerospace, military and commercial product markets.

Financial results
The financial results of the Group for the year ended 30 June 2017 are presented in US$:

	30 June 2017
Cash and cash equivalents (US$)	2,181,239
Net assets (US$)	6,478,010
Total revenue from operations (US$)	1,517,569
Loss after income tax (US$)	(1,695,331)

Review of operations
The Group continued to engage in its principal activity, the results of which are disclosed in the following financial statements.

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

On 29 March 2016, the Group entered into an asset purchase agreement (which was subsequently amended) to acquire all production plant equipment, intellectual property (including patents and trademarks), leases, inventory, contracts and infrastructure related to the production of carbon foam "CFOAM®" (**Assets**) from Touchstone Research and Brian Joseph (**Asset Purchase Agreement**).

The Group also lodged a prospectus on 21 June 2016 to raise up to $9,000,000 for the purpose of acquiring the CFOAM assets as part of an Initial Public Offering (**IPO**). The prospectus was amended by supplementary prospectus dated 4 July 2016 and second supplementary prospectus dated 15 September 2016. The Company was admitted to quotation on the ASX on 26 October 2016.

Review of operations (continued)

The consideration under the Asset Purchase Agreement was US$7,000,000 and 9,187,500 ordinary shares in the Company being issued as part of the IPO which deferred consideration was later reduced by US$200,000 to US$6,800,000 by the sale of certain CFOAM 20 inventory. The Asset Purchase Agreement was settled on 20 October 2016 and the consideration paid as follows:

(i) US$2,200,000 paid on settlement;
(ii) CFOAM's subsidiary, Carbon Innovations, LLC (**Carbon Innovations**) issued a US$800,000 promissory note to Touchstone Research with a term of 5 years and an interest rate of 3% per annum, and which is secured by a first lien security interest over the Assets;
(iii) Carbon Innovations issued, as amended, a US$3,800,000 promissory note to Touchstone Research which will accrue interest at 2% per annum and be secured by a second lien security interest over the Assets. This promissory note and any accrued interest is payable by Carbon Innovations to Touchstone Research as follows:

  (A) US$1,900,000 plus accrued interest is payable within 30 days of post-Completion cumulative sales volume of CFOAM reaching US$3,000,000; or

  (B) if post-Completion cumulative sales volume of CFOAM has not reached US$3,000,000 within one year of Completion, then US$1,000,000 plus accrued interest is payable within 10 days of the date that is one year following Completion with the balance of US$900,000 due on the cumulative sales volume reaching US$3,000,000; and

  (C) the remaining principal balance of US$1,900,000 of the promissory note plus all unpaid accrued interest will be paid in full on the later of:
    (I) 30 days of post-Completion cumulative sales volume of CFOAM reaching US$6,000,000; and
    (II) the second anniversary of the Completion.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the group to the date of this report, not otherwise disclosed in this report.

After balance date events

On 7 July 2017, Michael Placha resigned as a director and Alain Bouruet-Aubertot was appointed an executive director.

Other than as stated above, there have been no other matters or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2017, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2017, of the Group.

Likely developments and expected results of operation

Following the successful completion of the IPO and settlement of the Asset Purchase Agreement, the Group is proceeding with the commercial strategy for CFOAM.

Environmental regulation

The Group's operations up to 30 June 2017 are not regulated by any significant environmental regulation laws other than operating within certain limits of Hazardous Air Pollutants at its manufacturing operations in West Virginia to ensure no environmental issues occur.

Dividends paid, recommended and declared

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

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Information Relating to Directors and Company Secretary

Gary Steinepreis	Chair (Non-executive)
Qualifications and Experience	Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and manufacturing industries.
Interest in Shares	3,000,000
Special Responsibilities	Company Secretary
Directorships held in other listed entities during the three years prior to the current year	**Current** Helios Energy Ltd (formerly New Horizon Coal Ltd) since 4 June 2010 Taruga Gold Limited since 15 July 2016 **Former** AVZ Minerals Limited 30 November 2012 to 21 August 2017 ShareRoot Ltd (formerly Monto Minerals Ltd) 16 June 2009 to 12 January 2016 Norseman Gold Plc 3 December 2007 to 9 March 2016 Intercept Minerals Ltd 8 April 2014 to 2 February 2015
Alain Bouruet-Aubertot	Executive director
Qualifications and Experience	Mr. Bouruet-Aubertot holds a Master of Science in petroleum economics from the French Petroleum Institute (ENSPM) and a Master of Science in Chemical Engineering from National Chemical Engineering Institute in Paris (ENSCP). Mr. Bouruet-Aubertot's past roles include President, Chief Executive Officer and Managing Director, Minteq International, Inc ("Minteq") which grew to a US$400m revenue per year subsidiary of NYSE listed Minerals Technology Inc. ("MTX") at the time of his departure. MTX is a leading global supplier of mineral-based refractory materials and systems, metallurgical and advanced carbon products. At MTX Mr. Bouruet-Aubertot role included directing 1,300 employees and twenty manufacturing plants on six continents, with full responsibility for business strategy and P&L. Previous to Minteq, Mr. Bouruet-Aubertot was the Corporate Senior Vice President & President of the Gypsum Division of Lafarge North America, a US-based publicly-traded construction materials and building products company. Under Mr. Bouruet-Aubertot's leadership, the gypsum division grew, over a 5 year period, from inception, to a US$500 million asset base business. Earlier in his career, Mr. Bouruet-Aubertot worked for Rhone Poulenc S.A., a global France-based chemicals company, where, during his tenure, he held senior management positions of increasing responsibility in Europe and the US. More recently, Mr. Bouruet-Aubertot has worked with private equity investors on deal flow analysis and due diligence activities,

and has held executive and board director roles at portfolio companies, including President and CEO of CCSM Materials Inc. a venture capital-backed ceramic materials company.

Interest in Shares
Nil

Special Responsibilities
Nil

Directorships held in other listed entities during the three years prior to the current year
Nil

Toby Chandler
Non-executive director

Qualifications and Experience

Mr Chandler is Co-Founder and Chief Investment Officer of SEAL Capital Ltd, a global macro hedge fund investing in diverse global markets and financial instruments. Before forming SEAL Capital, Mr Chandler was a Partner and Portfolio Manager with private equity and macro hedge fund, Seagate Global Advisors, Inc.

In prior roles, Mr Chandler was a Managing Director with Morgan Stanley Inc, New York, where he ran the bank's Specialist Hedge Fund Desk servicing key institutional counterparties in an array of financial products, and global markets. Mr Chandler has also held several other senior bank positions including Managing Director and Head of Global Fixed Income Distribution with HSBC Securities (USA) NA, New York; other previous Executive Director positions with Morgan Stanley Inc and Morgan Stanley International Plc, London, as Head of Emerging Markets and Global Fixed Income Distribution; and Vice President with Citigroup NA, New York and Citigroup Australia. He received his Bachelor of Commerce in Finance from the University of Western Australia and his Masters in Applied Finance and Investment from the Securities Institute of Australia.

Interest in Shares
5,000,000

Special Responsibilities
Nil

Directorships held in other listed entities during the three years prior to the current year

Current
Structural Monitoring Systems plc since 2 May 2011

Todd Hoare
Non-executive director

Qualifications and Experience

Mr Hoare holds a Bachelor of Commerce and Bachelor of Science (Mathematics) degree from the University of NSW. He has extensive capital markets experience - including fund raising, valuation and trading - across the globe, including Hong Kong, New York and Sydney.

Interest in Shares
1,165,000

Special Responsibilities
Nil

Directorships held in other listed entities during the three years prior to the current year	Nil
Michael Placha	Managing Director – resigned 7 July 2017
Qualifications and Experience	Mr Placha has worked on various international projects throughout his 40-year career in Australia, Canada, Indonesia, China, Russia, Germany and Italy. Mr Placha earned his Bachelor of Science degree in extractive metallurgy from The Pennsylvania State University. Mr Placha was Senior Vice President of Signal Peak Energy/Global Rail Group from 2006 until 2010 and was responsible for the financing and development of a $350 million underground longwall mine in Montana. Mr Placha led the design and construction of a 36-mile rail spur and 15MTPY coal handling, processing and loadout facilities. From 2004 until 2006 as President of Sedgman Canada, Mr Placha was responsible for the design and construction of two metallurgical coal facilities in British Columbia, Canada. Prior to this, Mr Placha spent 16 years with Cyprus Coal and its successor companies working in management, operations, engineering and sales and marketing.
Interest in Shares	12,000,000
Special Responsibilities	Chief Executive Officer
Directorships held in other listed entities during the three years prior to the current year	**Former** New Horizon Coal Ltd 2 December 2011 to 30 November 2016

Meetings of Directors

During the financial year, 6 meetings of directors (there were no committees of directors) were held. Attendances by each director during the year were as follows

	Number eligible to attend	**Number attended**
Gary Steinepreis	6	6
Michael Placha	6	6
Toby Chandler	6	6
Todd Hoare	-	-

Remuneration Report (Audited)

There was no remuneration paid from the incorporation to 30 June 2016. This report reflects the Group's remuneration plan from 1 July 2016.

The principles adopted by the Board are set out under the following main headings:

(1) Principles used to determine the nature and amount of remuneration

(2) Details of remuneration

(3) Employment contracts of Directors and Senior Executives

(4) Performance based remuneration

(5) Other transactions with Key Management Personnel

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under section 300A of the Corporations Act 2001.

1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;

(ii) acceptability to shareholders;

(iii) performance linkage / alignment of executive compensation;

(iv) transparency; and

(v) capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

(i) focuses on sustained growth in shareholder wealth;
(ii) attracts and retains high calibre executives;
(iii) rewards capability and experience; and
(iv) provides a clear structure for earning rewards.

Remuneration Governance

Fees and payments to directors and key management personnel reflect the demands and responsibilities of the positions and are in line with the general market and the financial condition of the Group. There are no minimum or maximum amounts. There is no remuneration committee. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at $300,000 per annum as per the Group's constitution and may be varied by ordinary resolution of the shareholders in general meeting. The entire board which comprises four directors are responsible for remuneration packages. The Directors believe this is satisfactory given the size and complexity of Company operations.

Use of Remuneration Consultants

Remuneration consultants were not used in the establishment of remuneration packages in 2016 or 2017.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The Company was incorporated on 30 March 2016. There was no remuneration paid in the reporting period ended 30 June 2016. The remuneration for the year ended 30 June 2017 is detailed below. There is currently no remuneration which is currently performance related however, the Company has established a performance rights plan and employee share option plan and intends to utilise this to incentive management and directors, subject to shareholder approval, if required. Note 4 in the remuneration report refers to performance related remuneration which has now been cancelled.

Comments and Voting at Annual General Meeting

There has been no annual general meeting of the Company as it was incorporated on 30 March 2016. The 2016 annual general meeting will be held immediately before the 2017 annual general meeting.

2 Details of Remuneration

The key management personnel of the Group, during the year, were:

Directors:	Position:	Date Appointed	Date Resigned
Gary Steinepreis	Chair (Non-executive) / Company Secretary	30 March 2016	-
Michael Placha	Managing Director/CEO	30 March 2016	7 July 2017
Toby Chandler	Non-executive director	16 May 2016	-
Todd Hoare	Non-executive director	16 June 2017	-
Daniel Placha	Chief Operating Officer	1 July 2016	14 July 2017

There was no remuneration paid to any of the key management personnel in the reporting period ended 30 June 2016.

The remuneration is detailed below and no bonuses have been paid for the period. There was performance based remuneration provided but subsequently reversed as the performance conditions were not met.

	Short term employment benefits					
2017	Cash salary and fees US$	Medical insurance – employer and employee US$	Employee entitlement accrual US$	Equity settled US$	Post-employment 401K US$	Total US$
Non-Executive Directors:						
Gary Steinepreis	36,182	-	-	-	-	36,182
Toby Chandler	36,182	-	-	-	-	36,182
Todd Hoare	1,508	-	-	-	-	1,508
Executive Directors:						
Michael Placha	181,311	22,296	11,538	-	12,000	227,145
Other Key Management Personnel:						
Daniel Placha	134,518	14,106	5,769	-*	11,250	165,643
	389,701	36,402	17,307	-	23,250	466,660

* The 31 December 2016 half-yearly report recorded charges for the equity settled remuneration for Daniel Placha. These charges have been reversed as he resigned on 14 July 2017 and the vesting condition was not met.

3 Employment Contracts of Directors and Senior Executives

As part of the IPO the Group entered into service agreements with Michael Placha, Daniel Placha and has a letter of appointment with the non-executive directors.

Michael Placha – Chief Executive Officer – Carbon Innovations, LLC
Effective date: 1 July 2016 – resigned 7 July 2017
Remuneration: US$200,000 per annum
Contract duration: Ongoing contract

Notice by the individual/company: 3 months by the individual, 6 months by the company
Bonus: Carbon Innovations may pay Mr Placha a performance-based bonus at any time during the term of his appointment. There was no bonus paid in the period.
Terms and conditions: The employment contract also contains various other terms and conditions that are considered standard for an agreement of this nature.

Daniel Placha – Chief Operating Officer – Carbon Innovations, LLC
Effective date: 1 July 2016 – resigned 14 July 2017
Remuneration: US$150,000 per annum
Notice by the individual/company: 3 months by the individual, 6 months by the company and performance remuneration lapses
Performance Remuneration: Mr Placha was issued 1,250,000 Performance Rights and 1,750,000 Options which have been forfeited as the vesting conditions were not met as a result of his resignation. Refer to section 4.
Bonus: Carbon Innovations may pay Mr Placha a performance-based bonus at any time during the term of his appointment. There was no bonus paid in the period.
Terms and conditions: The employment contract also contains various other terms and conditions that are considered standard for an agreement of this nature.

Alain Bouruet-Aubertot - Executive Director – Carbon Innovations, LLC
Effective date: 7 July 2017
Remuneration: A$100,000 per annum, subject to review based on time commitment
Notice by the individual/company: 1 month by the individual, 1 months by the company and performance remuneration lapses
Performance remuneration, subject to shareholder approval, and ASX Listing Rules, if required:
A total of 2,500,000 performance rights to vest as follows:
750,000 performance rights - 30 day volume weighted average share price (VWAP) for the shares on ASX is $0.60 or higher from the date of issue
750,000 performance rights - 30 day VWAP for the shares on ASX is $0.90 or higher from the date of issue
500,000 performance rights - 30 day VWAP for the shares on ASX is $1.05 or higher from the date of issue
500,000 performance rights - 30 day VWAP for the shares on ASX is $1.20 or higher from the date of issue
Conditions:
Upon conversion all milestone shares will be voluntarily escrowed for 3 months. Thereafter, any shares are restricted in terms of sales, such that no more than 250,000 shares can be sold in any 10 trading day period and any restrictions under the Company share trading policy.
A performance right will lapse upon the earlier to occur of 31 December 2019 or the holder ceasing to be employed by the Company.

Non-Executive Director Agreements - Toby Chandler, Todd Hoare and Gary Steinepreis
Fees: Directors fees of US$36,650 per annum
Additional Executive Duties: work undertaken on additional executive duties will be paid at a commercial rate. This does not form part of the non-executive director fees.

Terms and conditions: The non-executive Directors' appointment is subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the directors are not re-elected as a director by Shareholders. The Non-Executive Agreements otherwise contains terms and conditions that are considered standard for agreements of this nature.

4 Performance-based Remuneration

Daniel Placha was issued 1,250,000 Performance Rights and 1,750,000 Options. The 31 December 2016 half-yearly report recorded charges for the equity settled remuneration for Daniel Placha. These charges have been reversed as he resigned on 14 July 2017 and the vesting conditions were not met and therefore the Directors assessed the probability of Daniel Placha meeting the vesting conditions as nil. There has been no other performance based remuneration paid to directors and key management personnel.

Ordinary shareholdings

Details of equity instruments held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

2017 Name	Held at 1/7/2016	Shares acquired	Other changes	Balance 30/6/2017
Directors:				
Gary Steinepreis	2,500,000	500,000	-	3,000,000
Michael Placha	12,000,000	-	-	12,000,000
Toby Chandler	4,350,000	650,000	-	5,000,000
Todd Hoare	-	1,165,000	-	1,165,000
Key management personnel:				
Daniel Placha	-	-	-	-
Total	**18,850,000**	**2,315,000**	**-**	**21,165,000**

Other securities

Details of equity instruments held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

2017 Name	Held at 1/7/2016	Options granted	Performance rights granted	Balance 30/6/2017	Vested & Exercised	Unvested
Directors:						
Gary Steinepreis	-	-	-	-	-	-
Michael Placha	-	-	-	-	-	-
Toby Chandler	-	-	-	-	-	-
Todd Hoare	-	-	-	-	-	-
Key management personnel:						
Daniel Placha	-	1,750,000 [1]	1,250,000 [2]	3,000,000	-	3,000,000
Total	**-**	**1,750,000**	**1,250,000**	**3,000,000**	**-**	**3,000,000**

Note 1
A 750,000 Performance Rights will vest upon completion of the de-bottleneck of the production of CFOAM process after the capital investment as part of the commercialisation strategy; and
B 500,000 Performance Rights will vest upon the Company's post-Completion cumulative sales volume of CFOAM reaching US$3,000,000, provided that in no circumstance will the Performance Rights vest prior to 1 year after the Issue Date.

Note 2
1,000,000 options exercisable at US$0.23 each on or before 30 June 2021 vest on the 31 December 2017 based on a service requirement. 750,000 options exercisable at US$0.38 each on or before 30 June 2021 vest on the 30 June 2018 based on a service requirement.

The 31 December 2016 half-yearly report recorded charges for the equity settled remuneration for Daniel Placha. These charges have been reversed as he resigned on 14 July 2017. The Directors assessed the probability of Daniel Placha meeting the vesting conditions as nil and the performance consideration has been forfeited.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

5 Other Transactions with Directors and Key Management Personnel

Borrowings from directors and key management	**2017 US$**
Unsecured Loan – Director	-
	-

During the 2016 financial period the Group borrowed funds from a director to meet working capital requirements. No interest was paid in respect of this unsecured loan. The A$75,500 loan was from LeisureWest Consulting Pty Ltd, a related party of Gary Steinepreis. It was repaid out of the proceeds of the capital raised on 20 May 2016.

Also during the prior period, the Company was incorporated with 100 shares on issue and restructured its corporate structure through the investment to acquire 100% of the equity of Carbon Innovations, LLC by the issue of 11,999,900 shares for the amount of US$30,000 being A$40,878 from Michael Placha.

End of the audited remuneration report.

A copy of the auditor's independence declaration as required by Section 307C of the Corporations Act 2001 is included in this Financial Report.

This report is made in accordance with a resolution of the Directors on 29 September 2017.

G Steinepreis

Gary Steinepreis
Director
West Perth, 29 September 2017

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Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF CFOAM LIMITED

As lead auditor of CFOAM Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CFOAM Limited and the entity it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2017

CFOAM LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30-June-17	Incorporation to 30-June-16
		US $	US $
Revenue			
Revenue from operations	16	1,517,569	-
Other income		2,459	640
		1,520,028	**640**
Expenses			
Raw materials and consumables used		(861,257)	-
Legal fees		(60,579)	(131,852)
Accounting and audit fees		(55,218)	(15,867)
Raw material services report		-	(5,034)
Australian securities exchange fees		(65,729)	(3,722)
Travel and associated costs		(135,040)	(59,156)
Other expenses		(165,228)	(16,090)
Professional services		(319,660)	-
Employee salaries, consulting and benefits expense		(550,253)	-
Repairs and maintenance		(130,303)	-
Depreciation and amortisation expense		(798,399)	-
Finance costs		(73,526)	-
		(3,215,192)	**(231,721)**
Loss from continuing operations before income tax		**(1,695,164)**	**(231,081)**
Income tax expense	20	(167)	-
Loss from continuing operations after income tax		**(1,695,331)**	**(231,081)**
Other comprehensive loss, net of tax			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(49,004)	-
Total comprehensive loss for the period		**(1,744,335)**	**(231,081)**
Loss per share			
Basic loss per share	26	($0.02)	($0.05)
Diluted loss per share	26	($0.02)	($0.05)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CFOAM LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	30-June-17 US $	30-June-16 US $
ASSETS			
Current assets			
Cash and cash equivalents		2,181,239	365,840
Trade and other receivables	6	125,422	277,275
Inventories	6	664,994	-
Total current assets		**2,971,655**	**643,115**
Non-current assets			
Property, plant and equipment	7	3,247,310	-
Intangibles	8	5,190,450	-
Total non-current assets		**8,437,760**	**-**
TOTAL ASSETS		**11,409,415**	**643,115**
LIABILITIES			
Current Liabilities			
Trade and other payables	9	378,004	211,026
Borrowings-promissory note	10	2,060,000	-
Total current liabilities		**2,438,004**	**211,026**
Non-current liabilities			
Borrowings-promissory note	11	2,493,401	-
Total non-current liabilities		**2,493,401**	**-**
TOTAL LIABILITIES		**4,931,405**	**211,026**
NET ASSETS		**6,478,010**	**432,089**
EQUITY			
Issued capital	12	8,453,426	663,170
Foreign currency reserve		(49,004)	-
Accumulated losses	18	(1,926,412)	(231,081)
TOTAL EQUITY		**6,478,010**	**432,089**

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CFOAM LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Consolidated	**Issued capital US$**	**Reserves US$**	**Accumulated losses US$**	**Total equity US$**
Balance at 1 July 2016	663,170	-	(231,081)	432,089
Loss after income tax expense for the year	-	-	(1,695,331)	(1,695,331)
Other comprehensive income for the year, net of tax	-	(49,004)	-	(49,004)
Total comprehensive income for the year	-	(49,004)	(1,695,331)	(1,744,335)
Transactions with owners in their capacity as owners:				
Contributions of equity	8,551,531	-	-	8,551,531
Costs of contributions of equity	(761,275)	-	-	(761,275)
Balance at 30 June 2017	8,453,426	(49,004)	(1,926,412)	6,478,010

Consolidated	**Issued capital US$**	**Reserves US$**	**Accumulated losses US$**	**Total equity US$**
Balance at incorporation	1	-	-	1
Loss after income tax expense for the period	-	-	(231,081)	(231,081)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(231,081)	(231,081)
Transactions with owners in their capacity as owners:				
Contributions of equity	663,169	-	-	663,169
Balance at 30 June 2016	663,170	-	(231,081)	432,089

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CFOAM LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	30-June-17 US $	30-June-16 US $
Cash flows from operating activities			
Receipts from customers (inclusive of sales and other taxes)		1,203,477	-
Payments to suppliers and employees (inclusive of sales and other taxes)		(2,766,522)	(97,862)
Interest received		2,459	640
Interest and other finance costs paid		(73,526)	-
Net cash used in operating activities	17	(1,634,112)	(97,222)
Cash flows from investing activities			
Payment for purchase of assets of Touchstone Research Laboratory, Ltd		(2,000,000)	-
Payment of escrow deposit – Asset Purchase Agreement		-	(200,000)
Payments for property, plant and equipment		(844,371)	-
Net cash used in investing activities		(2,844,371)	(200,000)
Cash flows from financing activities			
Proceeds from the issue of shares		6,873,300	663,170
Costs of the offer		(486,343)	-
Repayment of borrowings		(99,932)	(56,202)
Proceeds from borrowings		-	56,202
Net cash provided by financing activities		6,287,025	663,170
Net increase in cash and cash equivalents		1,808,542	365,948
Cash and cash equivalents at the beginning of the financial year		365,840	-
Effects of exchange rate changes on cash and cash equivalents		6,857	(108)
Cash and cash equivalents at the end of the financial year	17	2,181,239	365,840

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of CFOAM Limited and its wholly owned subsidiary, Carbon Innovations, LLC (**Group**) for the year ended 30 June 2017.

The separate financial statements of the parent entity, CFOAM Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 29 September 2017 by the directors of the Company.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Comparative information

This report presents the financial information for the year ended 30 June 2017. The Company was incorporated on the 30 March 2016 so the comparatives are from this date to 30 June 2016.

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in United States dollars, which is the functional currency of Carbon Innovations, LLC, from 1 July 2016. Refer Note 4 for change in presentational currency.

a) ***Principles of Consolidation***

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (CFOAM Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has one wholly owned subsidiary being Carbon Innovations, LLC.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

b) ***Going concern***

For the year ended 30 June 2017 the Group recorded a loss from continuing operations after income tax of US$1,695,331 (2016: US$231,081) and had net cash outflows from operating activities of US$1,634,112 (2016: US$97,222).

The ability of the entity to continue as a going concern is dependent on securing additional funding through raising of debt or equity to continue to fund the development activities and expansion of its business platform. The Group has one major customer that contributed more than 90% of sales revenue.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have reviewed the Group's financial position and are of the opinion that there are sufficient funds to meet the entity's working capital requirements and as at the date of this report.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group currently has sufficient cash resources to fund its requirements currently;
- The directors expect the Group to be successful in securing additional funds through debt or equity issues, when and if required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

c) ***New, revised or amending Accounting Standards and Interpretations adopted***

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Refer to Note 2.

d) ***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

e) ***Trade and other payables***

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the Group that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

f) ***Asset acquisition***

As discussed in note 16, asset acquisitions do not constitute a business combination, the assets and liabilities are assigned carrying amounts based on their relative fair value in an asset acquisition and no deferred tax will arise in relation to the acquired assets and assumed liabilities.
On 20 October 2016, Carbon Innovations, LLC (100% subsidiary of CFOAM) acquired assets from Touchstone Research Laboratory, Ltd by the issue of shares, cash and promissory notes. Director's judgement was required to be used in classifying this transaction as an asset acquisition rather than a business combination. As the acquisition of the acquired assets is not a deemed business combination, the transaction must be accounted for as a share based payment for the net assets acquired.

When an asset acquisition does not constitute a business combination, the asset and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction. No goodwill will arise on the acquisition.

Director's judgment was required in classifying the transaction as an asset acquisition rather than a business combination.

g) ***Share based payments***

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. A probability of the achievement of performance conditions is assigned and the share based payment expense is recognised over the estimated vesting period. The accounting estimates and assumptions relating to equity-settled share based payments may impact profit or loss and equity.
The Group also issued equity for the asset acquisition and capital raising costs. The fair value for recognition or disclosure purposes was measured as the fair value based on the price that the shares were issued under the prospectus being the principal market.

h) ***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of actual costs.

i) ***Intangible assets***

Intangible assets acquired, other than goodwill, are initially measured at their relative fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. The development asset is amortised over a useful life of 15 years and customer contract over a 12 month period.

j) ***Revenue and Other Income***

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. All revenue is stated net of the amount of sales tax.

k) ***Impairment of Assets***

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit and Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

l) ***Property, plant and equipment***

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	10-15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.
An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

m) ***Borrowings***

Loans and borrowings, including promissory notes, are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

n) ***Financial Instruments***

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt (promissory note) less principal payments and amortisation.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

o) ***Issued Capital***

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) ***Current and non-current classification***

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

q) ***Fair value measurement***

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

r) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

s) Foreign Currency Translation

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position are translated at the closing rate at the date of the statement of financial position;
(ii) Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at the average exchange rate for the period being reported on; and
(iii) All resulting exchange differences are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in the foreign currency translation reserve, if material. When a foreign operation is sold the associated exchange differences are reclassified to the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

t) Trade & other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2017

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 30 June 2017. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(a) New Accounting Standard for Application in Future Periods

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2017. They have not been adopted in preparing the financial statements for the year ended 30 June 2017 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

Financial Instruments

AASB reference: AASB 9 (issued December 2014)

Application date: Annual reporting periods beginning on or after 1 January 2018

Classification and measurement

Nature of Change: AASB 9 amendments the classification and measurement of financial assets:

- Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

- Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL.
- All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.

The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:

- Classification and measurement of financial liabilities, and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Impact on Initial Application: This standard is not expected to have a material impact on the Group..

Impairment

Nature of Change: The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model.

A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses.

A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months.

For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.

Impact on Initial Application: This standard is not expect to have a material impact on the Group.

Hedge accounting

Nature of Change: Under the new hedge accounting requirements:

- The 80-125% highly effective threshold has been removed
- Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable
- An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure
- When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI or capitalised into the cost of the hedged item
- When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI or capitalised into the cost of the hedged item
- Net foreign exchange cash flow positions can qualify for hedge accounting.

Impact on Initial Application: This standard is not expect to have a material impact on the Group.

Revenue from Contracts with Customers

AASB reference: AASB 15 (issued December 2014)

Nature of Change: An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.

Application date: Annual reporting periods beginning on or after 1 January 2018

Impact on Initial Application: The entity has not yet made a detailed assessment of the impacts of applying the new standard.

Leases

AASB reference: AASB 16 (issued February 2016)

Nature of Change: AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

Application date: Annual reporting periods beginning on or after 1 January 2019.

Impact on Initial Application: To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

(b) Adoption of New and Revised Accounting Standards

During the year, the Group Entity adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has not significantly impacted the recognition, measurement and disclosure of the transactions of the Group Entity and its consolidated financial statements for the financial year ended 30 June 2017.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

Asset acquisition

As discussed in note 16, asset acquisitions do not constitute a business combination, the assets and liabilities are assigned carrying amounts based on their relative fair value in an asset acquisition and no deferred tax will arise in relation to the acquired assets and assumed liabilities. Director’s judgment was required in classifying the transaction as an asset acquisition rather than a business combination.

Share based payments

The group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using the Black-

Scholes model taking into account the terms and conditions upon which the instruments were granted. A probability of the achievement of performance conditions is assigned and the share based payment expense is recognised over the estimated vesting period. The accounting estimates and assumptions relating to equity-settled share based payments may impact profit or loss and equity.

Intangibles
The development asset being the CFOAM product was acquired as part of the asset acquisition (note 16). The intangible is subsequently amortised on a straight line basis over its estimated useful life. The group estimates the useful life of the asset to be 15 years. The actual useful life may be shorter or longer than 15 years, depending on the technical innovations and competitor actions.

Inventory
The Group has allowed for an inventory reserve which represents an estimate of re-work costs to existing work-in-progress billet units.

Impairment of intangible assets

At each reporting date, the Company will review the carrying values of its intangible assets to determine whether there is any indication that those assets have been impaired. As at the date of this Report, the Company does not consider there to be any impairment on the carrying value of the intangible assets acquired. However, on successful acquisition date and subsequent reporting dates, the carrying value of the intangible assets acquired will be assessed for impairment and any assessment may result in changes to the carrying value of the intangible assets.

NOTE 4. CHANGE IN PRESENTATION CURRENCY

The consolidated entity has previously reported its consolidated results in Australian dollars. As the main operations of the consolidated entity are based in the United States, with the functional currency of the subsidiaries being United States Dollars ('USD' or 'US$'), the consolidated entity has changed its presentation currency for financial reporting from Australian dollars ('AUD' or 'A$') to USD from 1 July 2016 in order to better align the presentation of the consolidated entity's financial position and financial performance of its operations.

<u>Australian Dollar (A$) to United States Dollar (US$)</u>

	30 June 2017	**30 June 2016**
Average exchange rates used	Period average exchange rates used 0.7538	Period average exchange rates used 0.74409
Period end closing exchange rates used	0.7672	0.7444

The basis for changing the presentation of the results and financial position from Australian Dollars into United States Dollars were as follows:

i. The Australian denominated CFOAM consolidated statement of financial position for the year ending 30 June 2016 was translated at the closing exchange rate of 0.7444;
ii. Income and expenses for consolidated statement of profit or loss and other comprehensive income (including comparatives) were translated at historical period average exchange rates;
iii. Movements in equity and reserves for the comprehensive income and for the consolidated statement of financial position were translated at actual historical daily exchange rates;

iv. The consolidated cash flow statement was translated at historical period average exchange rates;

v. Exchange differences on translating income, expenses; movements in equity and reserves at daily exchange rates; and assets and liabilities at closing exchange rates are taken to the foreign currency translation reserve in the equity section and under other comprehensive income/(expense) in the consolidated statement of profit or loss and other comprehensive income; and

vi. Comparatives for 30 June 2016 have been re-translated.

NOTE 5. OPERATING SEGMENTS

Identification of reportable operating segments
The Group is organised into one operating segment, being the operation of production of CFOAM. This is based on the Internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

Geographical information
All sales and non-current assets are based in the USA.

Major customer
The Group has one major customer that contributed more than 90% of sales revenue. Refer Note 16.

NOTE 6. CURRENT ASSETS

		Consolidated	
		30 June 2017	**30 June 2016**
TRADE AND OTHER RECEIVABLES		**US$**	**US$**
Escrow deposit – Asset Purchase Agreement	A	-	200,000
Prepaid IPO expenses		-	77,275
Prepayments		46,419	-
Trade and other receivables		79,003	-
		125,422	277,275

A. Escrow deposit paid on the Asset Purchase Agreement with Touchstone Research Laboratory, Ltd. Refer to Note 16. The escrow deposit was refundable only if Touchstone Research was unable either to convey the Acquired Assets free and clear of all Encumbrances and in reasonably good and marketable title and condition or otherwise to satisfy any of its obligations under the Asset Purchase Agreement.

NOTE 6. CURRENT ASSETS

INVENTORIES	Consolidated 30 June 2017 US$	Consolidated 30 June 2016 US$
Finished goods	143,643	-
Raw materials	39,359	-
Work in progress	555,999	-
Inventory reserve	(74,007)	-
	664,994	-

NOTE 7. NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT	Consolidated 30 June 2017 US$	Consolidated 30 June 2016 US$
Assets in course of construction	266,074	-
Plant and equipment - at cost	2,961,064	-
Less: Accumulated depreciation	(148,000)	-
	2,813,064	-
Manufacturing use assets - at cost	205,751	-
Less: Accumulated depreciation	(37,579)	-
	168,172	-
Total property, plant and equipment - at cost	3,432,889	-
Less: Accumulated depreciation	(185,579)	-
	3,247,310	-

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Assets in course of construction US$	Plant and equipment US$	Manufacturing use US$	Total US$
Balance at 1 July 2016	-	-	-	-
Additions through asset acquisition (note 16)	-	2,301,202	205,751	2,506,953
Additions	266,074	659,862	-	925,936
Disposals	-	-	-	-
Depreciation expense	-	(148,000)	(37,579)	(185,579)
Balance at 30 June 2017	266,074	2,813,064	168,172	3,247,310

NOTE 8. INTANGIBLES

	Consolidated 30 June 2017 US$	Consolidated 30 June 2016 US$
Customer contract - at cost (refer note 16)	570,371	-
Less: Accumulated amortisation	(380,248)	-
	190,123	-
Development asset - at cost (refer note 16)	5,232,900	-
Less: Accumulated amortisation	(232,573)	-
	5,000,327	-
Total Intangibles - at cost	5,803,271	-
Less: Accumulated amortisation	(612,821)	-
	5,190,450	-

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Development Asset US$	Customer Contract US$	Total Intangibles US$
Balance at 1 July 2016	-	-	-
Additions through asset acquisition (note 16)	5,232,900	570,371	5,803,271
Amortisation expense	(232,573)	(380,248)	(612,821)
Balance at 30 June 2017	5,000,327	190,123	5,190,450

The Development Asset refers to the acquired business assets for the production and sales of CFOAM including but not limited to the acquired patents (Intellectual Property Assets), all permits, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer inquiry files, research and development files, records and data, sales material and records, strategic plans, internal financial statements, marketing and promotional surveys all relating to the business.

NOTE 9. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2016	**30 June 2016**
	US$	**US$**
Trade creditors	187,477	199,956
Accruals	190,527	11,070
	378,004	211,026

NOTE 10. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	30 June 2016	**30 June 2016**
	US$	**US$**
Promissory notes – secured	2,060,000	-
	2,060,000	-

Refer to note 11 for further information on assets pledged as security and financing arrangements.

NOTE 11. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	30 June 2017	**30 Jun 2016**
	US$	**US$**
Promissory notes – secured	2,493,401	-
	2,493,401	-

Assets pledged as security:

On completion of the Asset Purchase Agreement (**APA**) promissory notes were issued as follows:

(i) US$800,000 promissory note with a term of 5 years and an interest rate of 3% per annum, and which is secured by a first lien security interest over the assets acquired under the APA. Payable monthly on a reducing principal basis.

(ii) US$3,800,000 promissory note, as amended, which accrues interest at 2% per annum and be secured by a second lien security interest over the assets acquired under the APA. This promissory note and any accrued interest is payable as follows:

- (A) US$1,900,000 plus accrued interest is payable within 30 days of post-Completion cumulative sales volume of CFOAM reaching US$3,000,000; or
- (B) if post-Completion cumulative sales volume of CFOAM has not reached US$3,000,000 within one year of Completion, then US$1,000,000 plus accrued interest (refer Note 10) is payable within 10 days of the date that is one year following Completion with the balance of US$900,000 due on the cumulative sales volume reaching US$3,000,000; and
- (C) the remaining principal balance of US$1,900,000 of the promissory note plus all unpaid accrued interest will be paid in full on the later of:
  - (I) 30 days of post-Completion cumulative sales volume of CFOAM reaching US$6,000,000; and
  - (II) the second anniversary of the Completion.

NOTE 12. ISSUED CAPITAL

	Consolidated			
	30 June 2017 Shares	30 June 2016 Shares	30 June 2017 A$	30 June 2016 A$
Ordinary shares - fully paid	93,500,000	37,512,500	11,091,554	890,879

			30 June 2017 US$	30 June 2016 US$
Ordinary shares - fully paid	93,500,000	37,512,500	8,453,426	663,170

Movements in ordinary share capital

Details	Date	Shares	Issue price	US$
Balance at incorporation	30 March 2016	100	US$0.01	1
Issue of shares	12 May 2016	11,999,900	US$0.0025	30,429
Issue of shares	20 May 2016	5,881,250	US$0.003	18,610
Issue of shares	20 May 2016	6,131,250	US$0.006	37,220
Issue of shares	20 May 2016	2,500,000	US$0.015	37,220
Issue of shares	20 May 2016	4,350,000	US$0.0103	44,665
Issue of shares	20 May 2016	6,650,000	US$0.0744	495,025
Balance	30 June 2016	37,512,500		663,170
Balance	1 July 2016	37,512,500		663,170
Issue of shares	20 October 2016	1,800,000	US$0.15	274,932
Issue of shares	20 October 2016	9,187,500	US$0.15	1,403,299
Issue of shares	20 October 2016	45,000,000	US$0.15	6,873,300
Cost of the contribution of capital		-		(761,275)
Balance	30 June 2017	93,500,000		8,453,426

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTE 13. SHARE BASED PAYMENTS

The 1,800,000 ordinary shares issued to parties that acted as advisors or consultants to the Company in consideration for introducing the acquisition to the Company and assisting with its implementation are valued at US$274,932 (A$360,000) representing the fair value of services provided. These costs are recorded as capital raising costs. The fair value of the shares issued has been recognised as capital raising costs which reduces share capital as the shares issued were provided for services in connection with the issue of equity instruments.

The 31 December 2016 half-yearly report contained the below disclosure for the equity settled remuneration for Daniel Placha. These charges have been reversed as he resigned on 14 July 2017 and the vesting conditions were not met and the performance consideration has been forfeited as the probability of meeting these conditions was nil.

As part of Daniel Placha's employment as COO commencing on the date of listing (grant date), he was issued the following options and performance rights as remuneration. The fair value of the options and performance rights were determined by an independent valuation using Black-Scholes option pricing model using in puts in the table below.

Options	Expiry Date	Exercise Price	Number	Amount expensed US$	Total fair value US$	Share price at grant date US$	Volatility
Unlisted options	30/6/2021	US$0.23	1,000,000	15,270	92,680	$0.15	80%
Unlisted options	30/6/2021	US$0.38	750,000	6,913	59,338	$0.15	80%
			1,750,000	**22,183**	**152,018**		

Performance rights	Expiry Date	Milestone	Number	Amount expensed US$	Total fair value US$	Share price at grant date US$	Volatility
Performance Rights	20/10/2019	A	750,000	22,295	113,025	$0.15	90%
Performance Rights	20/10/2019	B	500,000	14,864	75,350	$0.15	90%
			1,250,000	**37,159**	**188,375**		

A 750,000 Performance Rights will vest upon completion of the de-bottleneck of the production of CFOAM process after the capital investment as part of the commercialisation strategy; and
B 500,000 Performance Rights will vest upon the Company's post-Completion cumulative sales volume of CFOAM reaching US$3,000,000,
provided that in no circumstance will the Performance Rights vest prior to 1 year after the Issue Date.

1,000,000 options vest on the 31 December 2017 based on a service requirement. 750,000 options vest on the 30 June 2018 based on a service requirement.

NOTE 14. COMMITMENTS

	Consolidated	
	30 June 2017 US$	**30 June 2016 US$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	266,650	-
One to five years	288,871	-
More than five years	-	-
	555,521	-

Commitments:
On 29 March 2016, the Group entered into an asset purchase agreement (which was subsequently amended) to acquire all production plant equipment, intellectual property (including patents and trademarks), leases, inventory, contracts and infrastructure related to the production of carbon foam "CFOAM®" (**Assets**) from Touchstone Research and Brian Joseph (**Asset Purchase Agreement**).

The consideration under the Asset Purchase Agreement, as amended, was US$6,800,000 and 9,187,500 ordinary shares in the Company were issued as part of the IPO. The cash consideration has been paid as follows:

(i) US$2,200,000 on settlement;
(ii) Carbon Innovations issued a US$800,000 promissory note to Touchstone Research with a term of 5 years and an interest rate of 3% per annum, and which is secured by a first lien security interest over the Assets;
(iii) Carbon Innovations issued a US$3,800,000 promissory note, as amended, which accrues interest at 2% per annum and be secured by a second lien security interest over the assets acquired under the APA. This promissory note and any accrued interest is payable as follows:

(A) US$1,900,000 plus accrued interest is payable within 30 days of post-Completion cumulative sales volume of CFOAM reaching US$3,000,000; or
(B) if post-Completion cumulative sales volume of CFOAM has not reached US$3,000,000 within one year of Completion, then US$1,000,000 plus accrued interest is payable within 10 days of the date that is one year following Completion with the balance of US$900,000 due on the cumulative sales volume reaching US$3,000,000; and
(C) the remaining principal balance of US$1,900,000 of the promissory note plus all unpaid accrued interest will be paid in full on the later of:
 (I) 30 days of post-Completion cumulative sales volume of CFOAM reaching US$6,000,000; and
 (II) the second anniversary of second anniversary of the Completion.

NOTE 15. RELATED PARTY TRANSACTIONS

During the 2016 financial period the Group borrowed funds from a director to meet working capital requirements. No interest was paid in respect of this unsecured loan. The US$56,625 (A$75,500) loan was from LeisureWest Consulting Pty Ltd, a related party of Gary Steinepreis. It was repaid out of the proceeds of the capital raised on 20 May 2016.

The amount of remuneration paid to related parties during the financial year is set out below and in the *Audited Remuneration* section of the *Directors' Report*.

There are no outstanding loans to or from related parties and no outstanding balances arising from sales / purchases of goods and services to or from related parties.

Also during the prior period, the Company was incorporated with 100 shares on issue and restructured its corporate structure through the investment to acquire 100% of the equity of Carbon Innovations, LLC by the issue of 11,999,900 shares for the amount of US$30,000 being A$40,878 from Michael Placha.

Carbon Innovations, LLC is a wholly owned subsidiary (100%) of CFOAM. Transactions between the entities are eliminated upon consolidation.

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
Services provided by directors and key management personnel and recognised as an expense	**30 June 2017 US$**	**30 June 2016 US$**
Short term employee benefits	443,410	-
Post-employment benefits	23,250	-
Share based payments	-	-
	466,660	**-**

Detailed remuneration disclosures with regard to the amounts paid to directors are provided in the audited remuneration report in the directors' report.

NOTE 16. ASSET ACQUISITION

Summary of acquisition
On 20 October 2016, pursuant to the Asset Purchase Agreement, Carbon Innovations, LLC (100% owned subsidiary of CFOAM) acquired certain assets from Touchstone Research Laboratory, Ltd which are the basis for the CFOAM business.
The transaction is considered to be an asset acquisition and is accounted for based on the net assets acquired.
The fair value of the assets acquired at the date of acquisition are outlined as follows:

Purchase consideration	**US$**
- Cash paid	2,200,000
- Shares issued (9,187,500 ordinary shares- note 12)	1,403,299
- Promissory note – note 10, 11	800,000
- Promissory note – note 10, 11	4,000,000 *
Total purchase consideration	**8,403,299**
Fair value of assets and liabilities acquired	
- Plant and equipment- note 7	2,301,202
- Inventory – note 6	93,075
- Property, plant & equipment – manufacturing use assets – note 7	205,751
- Intangibles - Customer contract – note 8	570,371
- Intangibles - Development asset -note 8	5,232,900
Net assets acquired	**8,403,299**

* the promissory note deferred consideration was later reduced by US$200,000 to US$3,800,000 by the sale of certain CFOAM 20 inventory.

Supply agreement
Carbon Innovations, LLC entered into a supply agreement with Touchstone Research (**Supply Agreement**) which was effective on completion.

A summary of the material terms of the Supply Agreement is set out below:

(a) **Supply of $CFOAM_{30}$**: in the first year following the date of the Supply Agreement, Carbon Innovations agrees to sell and Touchstone Research agrees to buy a minimum of US$1,400,000 of $CFOAM_{30}$, being approximately 4,148.15 ft^3 of $CFOAM_{30}$, at $337.50 per cubic foot. The parties will agree on a delivery schedule for the sale and purchase of this $CFOAM_{30}$.

(b) **Term:** the Supply Agreement has an initial term of year from the date that it is signed, and will automatically renew for one year unless either party notifies the other in accordance with the Supply Agreement.

(c) **Additional sales of $CFOAM_{30}$:** if the term of the Supply Agreement is renewed, the parties will negotiate the quality of $CFOAM_{30}$ to be sold and purchased during the further 1 year term.

NOTE 17. CASH AND CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the period

	Consolidated	
	30 June 2017 US$	30 June 2016 US$
Cash at bank and in hand	2,181,239	365,840

(b) Reconciliation of net loss after income tax to net cash flows used in operating activities

	Consolidated	
	30 June 2017 US$	30 June 2016 US$
Net loss after income tax	(1,695,331)	(231,081)
Depreciation and amortisation	798,400	-
Non-Cash sales of CFOAM20	(235,089)	
Foreign currency reserve	(49,004)	-
Changes in assets and liabilities:		
Increase in inventory (net of inventory acquired in asset acquisition)	(571,918)	-
Increase in prepayments and other receivables (net of deposit for asset acquisition)	(48,147)	(77,167)
Increase in trade and other payables	166,978	211,026
Net cash flows used in operating activities	(1,634,112)	(97,222)

(c) Non-cash investing activities

The Company, as part of the consideration under the Asset Purchase Agreement, issued 9,187,500 ordinary shares in the Company and 1,800,000 ordinary shares under the advisor offer as part of the IPO and also the deferred cash consideration was later reduced by US$200,000 by the sale of certain CFOAM 20 inventory.

NOTE 18. ACCUMULATED LOSSES

	Consolidated	
	30 June 2017 US$	30 June 2016 US$
Balance at beginning of period	231,081	-
Loss after income tax expense for the period	1,695,331	231,081
Balance at the end of the period	1,926,412	231,081

NOTE 19: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable and promissory notes. The Group's activities expose it to a variety of financial risks; market risk (including fair value and interest rate risk), credit risk, liquidity risk, foreign exchange fluctuations, cash flow and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the board of directors under policies approved by the Board. The board identifies and evaluates financial risks for overall risk management.

Interest Rate Risk

As the Group has no significant interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The risk arises due to changes in interest rates offered by the bank. The risk is managed by seeking alternative quotes from competing banks.

The promissory notes have a fixed interest rate and there is an inherent fair value risk.

2017 **Financial Instruments**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**	**Weighted average effective interest rate**
	US$	**US$**	**US$**	**US$**	**%**
Financial assets					
Cash assets	2,181,239	-	-	2,181,239	-
Trade and other receivables	79,003	-	-	79,003	-
Total financial assets	**2,260,242**	**-**	**-**	**2,260,242**	
Financial liabilities					
Promissory notes-current	-	2,060,000	-	2,060,000	2 - 3%
Promissory notes-non-current	-	2,493,401	-	2,493,401	2 – 3%
Total financial liabilities	**-**	**4,553,401**	**-**	**4,553,401**	

2016 **Financial Instruments**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**	**Weighted average effective interest rate**
	US$	**US$**	**US$**	**US$**	**%**
Financial assets					
Cash assets	365,839	-	1	365,840	-
Escrow deposit – Asset Purchase Agreement	-	200,000	-	200,000	-
Total financial assets	**365,839**	**200,000**	**1**	**565,840**	

The net fair value of financial assets and liabilities are materially in line with their carrying values. The assets pledged as security support the fair value.

Sensitivity Analysis – Interest Rate Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in interest rates.

		Increase 1%		Decrease 1%	
30 June 2017	**Carrying Amount US$**	**Profit US$**	**Equity US$**	**Profit US$**	**Equity US$**
Cash and cash equivalents	2,181,239	21,812	-	(21,812)	-

		Increase 1%		Decrease 1%	
30 June 2016	**Carrying Amount US$**	**Profit US$**	**Equity US$**	**Profit US$**	**Equity US$**
Cash and cash equivalents	365,840	3,658	-	(3,658)	-

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has issued promissory notes as part of the Asset Purchase Agreement and its risk with regard to liquidity relates to its ability to maintain its current operations prior to the generation of future income streams and growth strategies to ensure it meets its commitments. The Group's ability to raise equity funding in the market is paramount in this regard. The Group manages liquidity by monitoring its budgeted commitments for at least 12 months and raising capital and/or debt as required to fund its business platform.

As at 30 June 2017	Less than 6 months US$	6-12 months US$	1-5 years US$	Over 5 years US$	Total contractual US$	Carrying amount US$
Trade and other payables	378,004	-	-	-	378,004	378,004
Promissory notes	1,080,000	980,000	2,493,401	-	4,812,915	4,553,401

As at 30 June 2016	Less than 6 months US$	6-12 months US$	1-5 years US$	Over 5 years US$	Total contractual US$	Carrying amount US$
Trade and other payables	211,026	-	-	-	211,026	211,026

Credit Risk

The Group has no significant concentrations of credit risk. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

Cash at bank	**2017 US$**	**2016 US$**
Westpac Banking Corporation - AA	1,984,246	335,060
Washington Financial Bank (not rated)	196,993	30,780
	2,181,239	365,840

Price Risk

The Group is not exposed to commodity price risk.

Foreign Currency Risk

The group's operations are in US$. The group has exposure foreign currency risk at the end of the financial period as follows:

	2017	**2016**
	US$	**US$**
Cash and cash equivalents	1,750,000	-

Foreign currency exposure above relates to US dollars held by the Australian parent entity which has an AUD functional currency. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

Translation exposures arise from financial and non-financial items held by an entity (for example a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated Statement of Financial Position, the effect on profit or loss of their revaluation under AASB 121 is not fully eliminated.

For the purposes of AASB 7, currency risk does not arise from financial instruments that are non-monetary items. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other prise risk disclosures as part of fair value gains and losses.

Fair Value Measurement

(a) Net fair value

The carrying value and net fair values of financial assets and liabilities at balance date are:

Consolidated	2017	
	Carrying Amount US$	Net fair Value US$
Financial assets		
Cash and cash equivalents	2,181,239	2,181,239
Other receivables - current	125,422	125,422
	2,306,661	2,306,661
Financial Liabilities		
Trade and other payables - current	378,004	378,004
Borrowings promissory note - current	2,060,000	2,060,000
Borrowings promissory note – non-current	2,493,401	2,493,401
	4,931,405	4,931,405

Consolidated	2016	
	Carrying Amount US$	Net fair Value US$
Financial assets		
Cash and cash equivalents	365,840	365,840
Other receivables - current	277,275	277,275
	643,115	643,115
Financial Liabilities		
Trade and other payables - current	211,026	211,026
	211,026	211,026

(b) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

i) Quoted prices in active markets for identical assets or liabilities (level 1)
ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (level 2); and
iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amount of the financial assets and liabilities at balance date is considered to approximate their fair value.

NOTE 20: INCOME TAX EXPENSE

		2017 US$	2016 US$
a.	**The components of tax expense comprise:**		
	Current tax	167	-
	Deferred tax	-	-
		167	**-**
b.	**The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:**		
	Prima facie tax benefit on loss from ordinary activities before income tax at 30%	508,549	69,324
	Add tax effect of:		
	- Revenue losses not recognised	-	-
	- Other non-allowable items	-	(69,324)
		508,549	-
	Less tax effect of:		
	- Other deferred tax balances not recognised	(508,382)	-
	Income tax	**167**	**-**
c.	**Unrecognised deferred tax assets:**		
	Carry forward revenue losses	508,382	-
	Carry forward capital losses	-	-
	Net deferred tax	**508,382**	**-**

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the company derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;
(b) the company continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in income tax legislation which adversely affect utilising benefits.

NOTE 21: REMUNERATION OF AUDITORS

Assurance Services	**2017**	**2016**
Audit Services	**US$**	**US$**
Amounts paid/payable to BDO Audit (WA) Pty Ltd (BDO) for audit and review of the financial reports	28,998	18,610
Non-Audit Services		
Amounts paid/payable to BDO Audit (Advisory) Pty Ltd (BDO) for work on the IPO	-	10,440

NOTE 22: Parent Entity Note

Financial Position	**2017 US$**	**2016 US$**
Current assets		
Cash and cash equivalents	1,984,246	335,060
Other receivables	2,278	76,682
Total current assets	**1,986,524**	**411,742**
Non-current assets		
Investment in subsidiary	30,000	30,000
Loan to subsidiary	-	293,145
Total non-current assets	**30,000**	**323,145**
Total assets	**2,016,524**	**734,887**
Current liabilities		
Trade and other payables	97,879	140,990
Total liabilities	**97,879**	**140,990**
Net Assets	**1,918,645**	**593,897**
Equity		
Share capital	8,453,426	663,170
Foreign currency reserve	(49,004)	-
Accumulated losses	(6,485,777)	(69,174)
Total Equity	**1,918,645**	**593,897**

Financial Performance	**2017 $**	**2016 $**
Revenue from operations	2,459	616
Provision for intercompany loan	(6,087,938)	-
Expenses from operations	(330,956)	(69,790)
Loss before income tax	**(6,416,435)**	**(69,174)**
Income tax expense	(167)	-
Loss for the year	**(6,416,602)**	**(69,174)**

NOTE 23: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2017.

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

On 7 July 2017, Michael Placha resigned as a director and Alain Bouruet-Aubertot was appointed an executive director.

Other than as stated above, there have been no other matters or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2017, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2017, of the Group.

NOTE 25: COMPANY DETAILS

The registered office of the company is:
Level 1
33 Ord Street
West Perth Western Australia 6005

The principal place of business of the company is:
The Millennium Centre
1142 Middle Creek Road
Triadelphia, West Virginia 26059-1138
United States of America

NOTE 26: LOSS PER SHARE

Reconciliation of loss from continuing operations:	2017 US$	2016 US$
Loss from continuing operations	(1,695,331)	(231,081)
Loss used to calculate basic EPS from continuing operations	(1,695,331)	(231,081)
Weighted average number of ordinary shares outstanding during the year	76,320,274	4,476,747

There are currently no dilutive securities on issue and therefore the weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS are the same.

In accordance with a resolution of the directors of CFOAM Limited, the directors of the Company declare that:

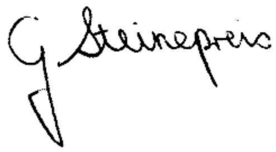
1. the financial statements and notes, as set out on pages 13 to 40, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group; and

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

3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Directors on 29 September 2017 and is signed on behalf of the Directors by:



Gary Steinepreis
Director
West Perth, 29 September 2017

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Subiaco, WA 6008
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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of CFOAM Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CFOAM Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 (b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for asset acquisition

Key audit matter	*How the matter was addressed in our audit*
On 20 October 2016, the Group acquired certain assets from Touchstone Research Laboratory Ltd, which are the basis for the CFOAM business, for purchase consideration of $8,403,299 as disclosed in Note 16. The Group treated the transaction as an asset acquisition, rather than a business acquisition. Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment. These judgements include whether the acquisition is accounted for as an asset or business acquisition, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration. This has been identified as a key audit matter because this was a significant transaction during the period which involved judgement to be exercised by management.	Our procedures included, but were not limited to: • Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset or business acquisition; • Reviewing the sale and purchase agreement to understand key terms and conditions; • Assessing management's determination of the fair value of consideration paid and agreeing the consideration to supporting documentation; • Assessing the allocation of the purchase price to the net assets which have been acquired; • Agreeing that no goodwill was recognised and that costs associated with the acquisition were capitalised in order to be in line with the correct accounting policy for asset acquisitions; and • Assessing the adequacy of the related disclosures in Notes 1(f), 3 and 16 to the financial report.

Accounting for inventory

Key audit Matter	How the matter was addressed in our report
Inventories, as disclosed in Note 6 of the financial report are a significant asset of the Group. In accordance with AASB 102 Inventories, inventories shall be measured at the lower of cost and net realisable value. This area has been determined to be a key audit matter due to the judgement and complexity involved in the allocation of costs throughout the manufacturing process.	Our procedures included, but were not limited to: • Selecting a sample of costs included in inventory and agreeing to supporting documentation to ensure inventory is initially recorded at acquisition cost; • Discussing with management the process by which costs are allocated to work in progress and finished goods; • Assessing the net realisable value of inventories, by selecting items on a sample basis and comparing to the estimated selling price (less estimated costs of completion and any estimated selling costs); • Assessing management's estimation of costs to complete work in progress and anticipated sales value of inventory based on sales contracts; • Making enquiries of management regarding obsolete and slow moving inventory items, including inspecting the condition of inventory on hand to confirm saleability; and • Assessing the adequacy of the related disclosures in Notes 1(h), 3 and 6 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of CFOAM Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

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Director

Perth, 29 September 2017