ACN 611 576 777

Annual Report
CFOAM Limited and its controlled entities
For the period from incorporation to 30 June 2016

Directors
Gary Steinepreis
Non-Executive Chairman

Michael Placha
Managing Director

Toby Chandler
Non-Executive Director

Company Secretary
Gary Steinepreis

Proposed ASX Code
CFO

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Solicitors
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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

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 period from incorporation being 30 March 2016 to 30 June 2016 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 period are:

Gary Steinepreis – the director was in office for this entire period.
Michael Placha – the director was in office for this entire period.
Toby Chandler – appointed 16 May 2016.
Patrick Burke – appointed 30 March 2016, resigned 16 May 2016

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

Principal activity

The principal activity of the Group is to be the holding company for the proposed investment for the commercialisation of the CFOAM assets.

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).

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 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. Touchstone Research has over the last 20 years invested, in its own right and via funding grants, approximately US$60m in developing CFOAM products and end use applications.

Financial results
The financial results of the Group from incorporation to 30 June 2016 are:

	30 June 2016
Cash and cash equivalents ($)	491,456
Net assets ($)	579,800
Total revenue ($)	859
Net loss after tax ($)	311,079

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

Review of operations (continued)

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.

During the period, the Group incurred a net loss of AUD $311,079 and experienced net cash outflows from operations of AUD$130,606 and net cash outflows from investing activities of AUD $268,817 for the period ended 30 June 2016. The cash balance at the end of August 2016 was AUD $252,510 and current liabilities were AUD $178,887. As disclosed in Note 16, the Group entered into an Asset Purchase Agreement. The completion of the acquisition is subject to the Groups' successfully raising funds through the Initial Public Offering (IPO) and the Group's admission to the ASX listing. Subsequent to year end AUD $9 million IPO funds have been raised but the IPO completion is still subject to CIFUS approval which is expected on or before 17 October 2016.

The ability of the Group to continue as a going concern is dependent upon the Group completing the IPO successfully or raising further funds through debt or issue of equity should the IPO not be successful.

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

The Directors believe that the Group will continue as a going concern as there are sufficient funds to meet working capital requirements and the Directors are confident that the CFIUS approval will be obtained and the IPO will be completed successfully. Should the IPO not be successful the Group will source alternative funding either through equity or debt.

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.

Significant changes in state of affairs
During the period, on 12 May 2016, CFOAM Limited went under Group reorganisation and acquired 100% of the issued capital of US subsidiary Carbon Innovations, LLC (Note 15).

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 consideration under the Asset Purchase Agreement is US$7,000,000 and 9,187,500 ordinary shares in the Company being issued as part of the IPO. The cash consideration will be paid as follows:

(i) US$2,200,000 on settlement. US$200,000 has been paid as an escrow deposit which is refundable only if Touchstone Research is 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;
(ii) Carbon Innovations will issue 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;

Significant changes in state of affairs (continued)

(iii) Carbon Innovations will issue a US$4,000,000 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$2,000,000 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; and

- (C) the remaining principal balance 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.

After balance date events

The IPO funds of AUD $9 million have been raised but the IPO has not yet been completed as there has been a delay outside of the control of the Company related to the review process being undertaken by the Committee on Foreign Investment in the United States (CFIUS).

CFIUS is an inter-agency committee of the US government that is authorised to review, investigate and block any transaction or investment that could result in the control of any US businesses or assets by a foreign person that may raise national security concerns, or involve critical infrastructure.

CFIUS has authority to initiate review of almost any foreign investment in a US company or asset that may have an impact on national security. It is not a mandatory requirement for the parties involved in such investment to file a notice for review by CFIUS. However, if such a notification is not filed, and subsequently CFIUS determines that the transaction raises US national security or critical infrastructure concerns, then CFIUS has the authority to unwind the transaction. Such action by CFIUS is not subject to review by a US court.

Carbon Innovations and Touchstone Research lodged a notice for review under CFIUS on 6 June 2016.

The CFIUS review was not completed in the previously stipulated thirty day review period due to unexpected and non-communicated delays associated with the Department's processing of the Company's application and we have been advised by CFIUS that this review period has been extended and will now be completed *no later* than 17 October 2016.

While the Company expects that the CFIUS review process may be finalised earlier than we have been informed, we are still mindful of the delays that have occurred thus far with this US Government department, and as a consequence CFOAM's target listing date has now been amended to on, *or before*, 25 October 2016.

Due to the above delay, the Company, by Supplementary Prospectus, has extended the listing condition date and is required under the Corporations Act to send this Supplementary Prospectus to all applicants regarding this extension.

After balance date events (continued)

CFOAM has already received conditional listing approval from the ASX, and the Company is re-performing all final reviews to ensure that CFOAM's shares will commence trading as soon as possible on the ASX when all listing requirements are met subsequent to the completion of the CFIUS review process.

Other than as stated above, there have been no other matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2016, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2016, of the Group.

Likely developments and expected results of operation

Upon successful completion of IPO and settlement of the IP asset acquisition, the Group will proceed with the commercial strategy for CFOAM.

Environmental regulation
The Group's operations up to 30 June 2016 are not regulated by any significant environmental regulation laws.

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.

Indemnification of officers
No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer of the Group.

Indemnification of auditors
No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Group.

Proceedings on Behalf of Company
No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

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	2,500,000
Special Responsibilities	Company Secretary

Directorships held in other listed entities during the three years prior to the current year	Current New Horizon Coal Ltd since 4 June 2010 Taruga Gold Limited since 15 July 2016 AVZ Minerals Limited since 30 November 2012 Former 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
Michael Placha	Managing Director
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	Current New Horizon Coal Ltd since 2 December 2011
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	4,350,000
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

Former non-executive director – Patrick Burke

Patrick Burke holds a Bachelor of Laws degree from the University of Western Australia. He has more than twenty two years' experience working in law firms and companies in Australia and Ireland.

His expertise is in corporate, commercial and securities law with an emphasis on capital raisings and mergers and acquisitions. He contributes general corporate and legal skills along with a strong knowledge of the Australian Securities Exchange requirements.

Meetings of Directors

During the financial year, 5 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	5	5
Michael Placha	5	5
Toby Chandler	-	-
Patrick Burke	5	5

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 three 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.

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

The Company was incorporated on 30 March 2016. There have been no previous reporting periods and no remuneration has been paid to 30 June 2016. There is therefore no remuneration which is currently performance related.

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.

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) / Secretary	30 March 2016	-
Michael Placha	Managing Director	30 March 2016	-
Toby Chandler	Non-executive director	16 May 2016	-
Patrick Burke	Non-executive director	30 March 2016	16 May 2016

There has been no remuneration paid to any of the key management personnel in the reporting period.

3 Employment Contracts of Directors and Senior Executives

As part of the IPO the Group has entered into a service agreement with Michael Placha and letter of appointment agreements with Toby Chandler and Gary Steinepreis.

Executive Services Agreement
Carbon Innovations and Michael Placha have entered into an executive services agreement (Executive Services Agreement) pursuant to which Michael Placha is appointed as Chief Executive Officer of Carbon Innovations. The key terms and conditions of the Executive Services Agreement are as follows:

(a) (Term): Mr Placha's Executive Services Agreement will commence on the first day of that month when CFOAM is conditionally admitted to the official list of the ASX and will continue until validly terminated in accordance with the terms of the Executive Services Agreement;

(b) (Termination): The Executive Services Agreement may be terminated in the following manner and in accordance with US labour law:
   (i) by Carbon Innovations or Mr Placha on not less than one month's notice if certain conditions apply;
   (ii) by either party without cause with three months' notice to the other party, or in the case of Carbon Innovations, immediately with payment in lieu of notice;
   (iii) by either party following material breach of the Executive Services Agreement; and
   (iv) by Mr Placha if a change of control event occurs, and at any time during the 12 month period following such change of control, Mr Placha resigns from his employment for good reason, he shall be entitled to a payment equal to 12 months;

(c) (Remuneration): US$200,000 per annum; and

(d) (Bonus): Carbon Innovations may pay Mr Placha a performance-based bonus at any time during the term of his appointment.

Non-Executive Director Appointment Letters – Toby Chandler and Gary Steinepreis

The Company has entered into non-executive letters of appointment with each of the non-executive Directors, Messrs Toby Chandler and Gary Steinepreis (Non-Executive Agreements). A summary of the key terms of the Non-Executive Agreements are as follows:

(a) (Fees): directors fees of AUD$48,000 per annum are payable by the Company to each non-executive Director;

(b) (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; and

(c) (Term): 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.

4 Details of remuneration

There has been no remuneration paid or payable during the period because the Board was working towards the IPO and this is for the benefit of all shareholders.

5 Performance-based Remuneration

There has been no 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:

2016 Name	Held at 30/3/2016	Shares acquired	Other changes	Balance 30/6/2016
Directors:				
Gary Steinepreis	-	2,500,000	-	2,500,000
Michael Placha	100	11,999,900 #	-	12,000,000
Toby Chandler	-	4,350,000	-	4,350,000
Total	100	18,849,900	-	18,850,000

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

6 Other Transactions with Directors and Key Management Personnel

Borrowings from directors and key management	2016 $
Unsecured Loan – Director	75,500
	75,500

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 $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 period, Carbon Innovations was acquired by CFOAM Limited from Michael Placha. Please refer to point 5 above in the audited remuneration report and Note 15.

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 Annual Report.

This report is made in accordance with a resolution of the Directors on 29 September 2016

G Steinepreis

Gary Steinepreis
Director
29 September 2016

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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 period ended 30 June 2016, 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 2016

		Incorporation to 30-June-16
		AUD $
Revenue		
Other revenue		859
		859
Expenses		
Legal fees		(177,126)
Accounting and audit fees		(21,316)
Raw material services report		(6,763)
Australian stock exchange fees		(5,000)
Travel and associated costs		(79,469)
Other expenses		(22,264)
		(311,938)
Loss from continuing operations before income tax		(311,079)
Income tax expense		-
Loss from continuing operations after income tax		(311,079)
Other comprehensive income, net of tax		-
Total other comprehensive loss for the period		(311,079)
Loss per share		
Basic loss per share	19	($0.07)
Diluted loss per share	19	($0.07)

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

	Notes	30-June-16
		AUD $
ASSETS		
Current Assets		
Cash and cash equivalents	4(a)	491,456
Other receivables	5	371,829
Total Current Assets		863,285
TOTAL ASSETS		863,285
LIABILITIES		
Current Liabilities		
Trade and other payables	6	283,485
Total Current Liabilities		283,485
TOTAL LIABILITIES		283,485
NET ASSETS		579,800
EQUITY		
Share capital	7	890,879
Accumulated losses	8	(311,079)
TOTAL EQUITY		579,800

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

	Issued Capital	Accumulated Losses	Total Equity
	AUD $	AUD $	AUD $
Balance at incorporation	1	-	1
Comprehensive income:			
Loss after income tax expense for the period	-	(311,079)	(311,079)
Total comprehensive loss for the period	-	(311,079)	(311,079)
Transactions with owners in their capacity as owners:			
Contribution of equity	890,878	-	890,878
At 30 June 2016	890,879	(311,079)	579,800

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

	Notes	30-June-16
		AUD $
Cash flows from operating activities		
Interest received		859
Payment to suppliers and employees		(131,465)
Net cash flows from operating activities	4(b)	(130,606)
Cash flows from investing activities		
Payment of escrow deposit – Asset Purchase Agreement		(268,817)
Net cash flows from investing activities		(268,817)
Cash flows from financing activities		
Proceeds from the issue of shares		890,879
Repayment of loans		(75,500)
Proceeds from loans		75,500
Net cash flows from financing activities		890,879
Net increase in cash and cash equivalents		491,456
Cash and cash equivalents at the end of the period	4(a)	491,456

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)from the period of incorporation of 19 October 2015 to 30 June 2016. See further details for capital reorganisation under Note 1(m) & Note 15.

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 2016 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.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Comparative information
This report presents the financial information for the period ended 30 June 2016. Given the Company was incorporated on the 30 March 2016 there are no comparatives for this reporting period.

Functional and presentation currency
The functional currency of the Group is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars, which is the entity's functional 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.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

b) Going concern

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.

During the period, the Group incurred a net loss of AUD $311,079 and experienced net cash outflows from operations of AUD$130,606 and net cash outflows from investing activities of AUD $268,817 for the period ended 30 June 2016. The cash balance at the end of August 2016 was AUD $252,510 and current liabilities were AUD $178,887. As disclosed in Note 16, the Group entered into an Asset Purchase Agreement. The completion of the acquisition is subject to the Groups' successfully raising funds through the Initial Public Offering (IPO) and the Group's admission to the ASX listing. Subsequent to year end AUD $9 million IPO funds have been raised but the IPO completion is still subject to CIFUS approval which is expected on or before 17 October 2016.

The ability of the Group to continue as a going concern is dependent upon the Group completing the IPO successfully or raising further funds through debt or issue of equity should the IPO not be successful.

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

The Directors believe that the Group will continue as a going concern as there are sufficient funds to meet working capital requirements and the Directors are confident that the CFIUS approval will be obtained and the IPO will be completed successfully. Should the IPO not be successful the Group will source alternative funding either through equity or debt.

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 new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

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) 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.

g) 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.

h) 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.

h) Borrowings

Loans and borrowings 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.

i) 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.

(j) Financial Investments

Recognition

Financial investments 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.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit and loss.

(k) 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 forging 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.

(l) 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.

(m) Acquisition of entities under common control

The Group adopts predecessor accounting for Group reorganisation and common control transactions, where the transaction involves a newly formed entity. Acquiring a single existing entity and the existing entity is not a business. The principles of predecessor accounting are:
i) no assets or liabilities are restated to their fair value;
ii) no goodwill arises; and
iii) incorporate the acquired entity's results and balance sheet as if both entities (acquirer and acquiree) has always been combined.

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2016

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 2016. 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 2016. They have not been adopted in preparing the financial statements for the year ended 30 June 2016 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: Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.

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: Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.

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
- 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
- Net foreign exchange cash flow positions can qualify for hedge accounting.

Impact on Initial Application: Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity currently does not apply hedge accounting and therefore there will be no impact from these amendments.

<u>Revenue from Contracts with Customers</u>

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: Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

<u>Leases</u>

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: Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

<u>Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</u>

AASB reference: AASB 2015-1 (issued January 2015)

Nature of Change: Non-urgent but necessary changes to standards

Application date: Annual reporting periods beginning on or after 1 January 2016

Impact on Initial Application: These amendments affect presentation and disclosures only. Therefore on first time adoption of these amendments on 1 July 2016, comparatives will need to be restated in line with presentation and note ordering.

(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 2016.

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.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the aging of receivables historical collection rates and specific knowledge of the individual debtors financial position. There is no impairment loss required to be recognised during the period.

NOTE 4: CASH AND CASH EQUIVALENTS

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

	30-June-16
	AUD $
Cash at bank and in hand	491,456

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

	30-June-16
	AUD $
Net loss after income tax	(311,079)
Changes in assets and liabilities:	
Increase in other receivables	(103,012)
Increase in trade and other payables	283,485
Net cash flows used in operating activities	(130,606)

NOTE 5: OTHER RECEIVABLES

		30-June-16
		AUD $
Escrow deposit – Asset Purchase Agreement	A	268,817
Prepaid IPO expenses		102,512
Other receivables		500
		371,829

A. Escrow deposit paid on the Asset Purchase Agreement with Touchstone Research Laboratory, Ltd. Refer to Note 16. The escrow deposit is refundable only if Touchstone Research is 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: TRADE AND OTHER PAYABLES

	30-June-16
	AUD $
Trade creditors	268,614
Accruals	14,871
	283,485

NOTE 7: ISSUED CAPITAL

		30-June-16
		AUD $
37,512,500 fully paid common shares	(a)	890,879

(a) Movements in Common Shares

Date	Details	Number of shares issued	AUD ($)
Balance at incorporation	Opening balance	100	1
12 May 2016	Issue of shares	11,999,900	40,878
20 May 2016	Issue of shares	5,881,250	25,000
20 May 2016	Issue of shares	6,131,250	50,000
20 May 2016	Issue of shares	2,500,000	50,000
20 May 2016	Issue of shares	4,350,000	60,000
20 May 2016	Issue of shares	6,650,000	665,000
30 June 2016	Closing balance	37,512,500	890,879

NOTE 8: ACCUMULATED LOSSES

	30-June-16
	AUD $
Balance at incorporation	-
Loss after income tax expense for the period	(311,079)
Balance at the end of the period	(311,079)

NOTE 9: FINANCIAL RISK MANAGEMENT

The Group’s financial instruments consist mainly of deposits with banks and accounts receivable and payable. 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.

2016 Financial Instruments	Floating interest rate $	Fixed interest rate $	Non-interest bearing $	Total $	Weighted average effective interest rate %
Financial assets					
Cash assets	491,455	-	1	491,456	-
Escrow deposit – Asset Purchase Agreement	-	268,817	-	268,817	-
Total financial assets	491,455	268,817	1	760,273	

The net fair value of financial assets and liabilities are materially in line with their carrying values.

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 2016	Carrying Amount $	Profit $	Equity $	Profit $	Equity $
Cash and cash equivalents	491,456	4,915	-	(4,915)	-

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has no long term or short term debt and its risk with regard to liquidity relates to its ability to maintain its current operations prior to the generation of future income streams. The Group's ability to raise equity funding in the market is paramount in this regard. The Group manages liquidity by ensuring that it has at least sufficient cash to meet its budgeted commitments for at least 12 months.

As at 30 June 2016	Less than 6 months $	6-12 months $	1-5 years $	Over 5 years $	Total contractual $	Carrying amount $
Trade and other payables	283,485	-	-	-	283,485	283,485

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	2016 $
Westpac Banking Corporation - AA	450,108
Washington Financial Bank (not rated)	41,348
	491,456

Price Risk

The Group is not exposed to commodity price risk.

Foreign Currency Risk

The Group does not have exposure to foreign currency risk at the end of the reporting period.

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	2016	
	Carrying Amount $	Net fair Value $
Financial assets		
Cash and cash equivalents	491,456	491,456
Other receivables - current	371,829	371,829
	863,285	863,285
Financial Liabilities		
Trade and other payables - current	283,485	283,485
	283,485	283,485

(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).

Due to their short term nature, the carrying amount of the financial assets and liabilities at balance date is assumed to approximate their fair value.

NOTE 10: SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group currently operates in one operating segment as it prepares for the CFOAM commercialisation strategy and two geographic locations, those being, Australia and the United States of America. The chief operating decision makers look at areas of interest which at this stage in the United States of America when reviewing activities and the allocation of resources. The areas of interest are contained within separate operating entities and geographic locations and are reported on accordingly.

The directors are of the opinion that the current financial position and performance of the Group is equivalent to the operating segments identified. The segment information provided to the board of directors for reportable segments for the year ended 30 June 2016 is as follows:

30 June 2016	CFOAM Australia $	Carbon Innovations USA $	Total $
Income	827	32	859
Expenses	(93,754)	(218,184)	(311,938)
Income tax expense	-	-	-
Net loss before tax	(92,927)	(218,152)	(311,079)

Assets	CFOAM Australia $	Carbon Innovations USA $	Total $
Cash & cash equivalents	450,108	41,348	491,456
Other receivables	103,012	268,817	371,829
	553,120	310,165	863,285
Liabilities			
Trade and other payables	189,846	93,639	283,485

NOTE 11: INCOME TAX EXPENSE

		2016 $
a.	The components of tax expense comprise:	
	Current tax	-
	Deferred tax	-
		-
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%	93,323
	Add tax effect of:	
	- Revenue losses not recognised	-
	- Other non-allowable items	-
		93,323

NOTE 11: INCOME TAX EXPENSE

		2016 $
	Less tax effect of:	
	- Other deferred tax balances not recognised	(93,323)
	Income tax	-
c.	Unrecognised deferred tax assets:	
	Carry forward revenue losses	93,323
	Carry forward capital losses	-
	Net deferred tax	93,323

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 12: REMUNERATION OF AUDITORS

Assurance Services	2016 $
Audit Services	
Amounts paid/payable to BDO Audit (WA) Pty Ltd (BDO) for audit and review of the financial reports	25,000
Non-Audit Services	
Amounts paid/payable to BDO Audit (Advisory) Pty Ltd (BDO) for work on the IPO	14,025

NOTE 13: CFOAM LIMITED - Parent Company Information

Financial Position	2016 $
Current assets	
Cash and cash equivalents	450,108
Other receivables	103,012
Total current assets	553,120
Non-current assets	
Investment in subsidiary	40,878
Loan to subsidiary	393,800
Total non-current assets	434,678
Total assets	987,798
Current liabilities	
Trade and other payables	189,846
Total liabilities	189,846
Net Assets	797,952
Equity	
Share capital	890,879
Accumulated losses	(92,927)
Total Equity	797,952

Financial Performance	2016
	$
Revenue from operations	827
Expenses from operations	(93,754)
Profit/(Loss) before income tax	(92,927)
Income tax expense	-
Profit/(Loss) for the year	(92,927)
Other comprehensive income net of tax	-
Total comprehensive profit/(loss) attributable to the members of CFOAM Limited	(92,927)

NOTE 14: RELATED PARTY TRANSACTIONS

During the 2016 financial year the Group borrowed funds from a director to meet working capital requirements. No interest was paid in respect of this unsecured loan. The $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 period, Carbon Innovations was acquired by CFOAM Limited from Michael Placha. Please refer to point 5 above in the audited remuneration report and Note 15.

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

The total payments made to directors and key management personnel during the year are set out below:

Services provided by directors and key management personnel and recognised as an expense	2016 $
Short term employee benefits	-
Post-employment benefits	-
Share based payments	-
	-

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

NOTE 15: COMMON CONTROL ENITTY

Summary of acquisition

On 12 May 2016, CFOAM Limited (the acquirer) acquired 100% of the issued capital of Carbon Innovations, LLC (the acquiree). Carbon Innovations, LLC was incorporated 19 October 2015.

Details of the fair value of the assets and liabilities acquired as at 12 May 2016 are as follows:

Purchase consideration comprises:

11,999,900 ordinary shares issued to vendor	AU$40,878

Net assets acquired:	AUD $
Cash and cash equivalents	1,331
Escrow deposit – Asset Purchase Agreement	272,465
Trade and other payables	(86,908)
Loan from CFOAM Limited	(276,582)
Net liabilities acquired	(89,694)
Profit or loss from incorporation 19/10/2015-12/05/2016[1]	130,572

NOTE 16: CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities:
The Group had no contingent liabilities as at 30 June 2016.

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 is US$7,000,000 and 9,187,500 ordinary shares in the Company being issued as part of the IPO. The cash consideration will be paid as follows:

(i) US$2,200,000 on settlement. US$200,000 has been paid as an escrow deposit which is refundable only if Touchstone Research is 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;

(ii) Carbon Innovations will issue 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 will issue a US$4,000,000 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$2,000,000 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; and

   (C) the remaining principal balance 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

[1] The profit or loss of Carbon Innovations, LLC is combined with the Group's profit or loss in accordance with capital reorganisation accounting policy per Note 1(m).

(II) the second anniversary of the Completion.

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

The IPO funds of AUD $9 million have been raised but the IPO has not yet been completed as there has been a delay outside of the control of the Company related to the review process being undertaken by the Committee on Foreign Investment in the United States (CFIUS).

CFIUS is an inter-agency committee of the US government that is authorised to review, investigate and block any transaction or investment that could result in the control of any US businesses or assets by a foreign person that may raise national security concerns, or involve critical infrastructure.

CFIUS has authority to initiate review of almost any foreign investment in a US company or asset that may have an impact on national security. It is not a mandatory requirement for the parties involved in such investment to file a notice for review by CFIUS. However, if such a notification is not filed, and subsequently CFIUS determines that the transaction raises US national security or critical infrastructure concerns, then CFIUS has the authority to unwind the transaction. Such action by CFIUS is not subject to review by a US court.

Carbon Innovations and Touchstone Research lodged a notice for review under CFIUS on 6 June 2016. The CFIUS review was not completed in the previously stipulated thirty day review period due to unexpected and non-communicated delays associated with the Department's processing of the Company's application and we have been advised by CFIUS that this review period has been extended and will now be completed *no later* than 17 October 2016.

While the Company expects that the CFIUS review process may be finalised earlier than we have been informed, we are still mindful of the delays that have occurred thus far with this US Government department, and as a consequence CFOAM's target listing date has now been amended to on, *or before*, 25 October 2016.

Due to the above delay, the Company, by Supplementary Prospectus, has extended the listing condition date and is required under the Corporations Act to send this Supplementary Prospectus to all applicants regarding this extension.

CFOAM has already received conditional listing approval from the ASX, and the Company is re-performing all final reviews to ensure that CFOAM's shares will commence trading as soon as possible on the ASX when all listing requirements are met subsequent to the completion of the CFIUS review process.

Other than as stated above, there have been no other matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2016, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2016, of the Group.

NOTE 18: 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:

Level 1
33 Ord Street
West Perth Western Australia 6005

NOTE 19: LOSS PER SHARE

Reconciliation of loss from continuing operations:	2016 $
Loss from continuing operations	(311,079)
Loss used to calculate basic EPS from continuing operations	(311,079)
Weighted average number of ordinary shares outstanding during the year	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 11 to 31, 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 2016 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 2016 and is signed on behalf of the Directors by:

G. Steinepreis

Gary Steinepreis
Director
29 September 2016

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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 Financial Report

We have audited the accompanying financial report of CFOAM Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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

Opinion

In our opinion:

(a) the financial report of CFOAM Limited is in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the period ended on that date; and

    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial report, which indicates that the ability of the entity to continue as a going concern is dependent upon the successful completion of the IPO or raising further funds through debt or equity. These conditions, along with other matters as set out in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the period ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of CFOAM Limited for the period ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO

Dean Just
Director

Perth, 29 September 2016

ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council.

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles and Recommendations.

Details on the Company's corporate governance procedures, policies and practices can be obtained from the Company website at www.cfoam.com.

Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

(a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and

(b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Following Completion, the Board is proposed to consist of 3 members. The Company has adopted a Nominations Committee Charter, but has not established a Nomination Committee. The Directors consider that the Company is currently not of a size, nor are its affairs of such complexity as to justify the formation of a Nomination Committee. The responsibilities of a Nomination Committee are currently carried out by the full Board operating under the Nomination Committee Charter.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next general meeting and is then eligible for re-election by the Shareholders.

Identification and management of risk

The Board has adopted a Risk Management Policy, but has not established a risk management committee which is responsible for overseeing the risk management function. The Directors consider that the Company is currently not of a size, nor are its affairs of such complexity as to justify the formation of a Risk Management Committee. The responsibilities of a Risk Management Committee are currently carried out by the Board.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount of $300,000.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board has adopted a Remuneration Committee Charter, but has not established a Remuneration Committee. The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of Securities in the Company by its key management personnel (including its Directors). The policy generally provides that written notification to the Chairman (or in the case of the Chairman, the other Directors) must be satisfied prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company has adopted an Audit and Risk Committee Charter, but has not established an Audit Committee. The role of the Audit Committee has been assumed by the full Board operating under the Audit and Risk Committee Charter.

Diversity Policy

The Company has adopted a diversity policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender diversity.

Departures from Recommendations

As the Company has been admitted to the Official List of ASX, the Company is required to report any departures from the Recommendations in its annual financial report. The Company's compliance and departures from the Recommendations as at the date of this Annual Report are set out in the following pages.

Corporate Governance Statement

CFOAM Limited, its wholly owned subsidiaries (Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The directors are responsible to the Shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of Shareholders and other key stakeholders and to ensure the Group is properly managed.
Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Board.

Corporate Governance Compliance

A description of the Group's main corporate governance practices are set out below. The Group has considered the Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX Principles and Recommendations	"If not, why not"
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3	✓	
Recommendation 1.4	✓	
Recommendation 1.5		✓
Recommendation 1.6		✓
Recommendation 1.7		✓
Recommendation 2.1		✓
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5		✓
Recommendation 2.6	✓	
Recommendation 3.1	✓	
Recommendation 4.1		✓
Recommendation 4.2	✓	
Recommendation 4.3	✓	
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 6.2	✓	
Recommendation 6.3	✓	
Recommendation 6.4		✓
Recommendation 7.1		✓
Recommendation 7.2	✓	
Recommendation 7.3	✓	
Recommendation 7.4	✓	
Recommendation 8.1		✓
Recommendation 8.2	✓	
Recommendation 8.3	✓	

Disclosure – Principles & Recommendations

Principle 1 – Lay solid foundations for management and oversight Recommendation 1.1:

A listed entity should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.

Disclosure:
The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.
Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Managing Director (who acts in the capacity as CEO).

The matters that the Board has specifically reserved for its decision are:

(a) the appointment and management of the CEO;

(b) approval of the overall strategy and annual budgets of the business;

(c) overseeing the accounting and corporate reporting systems, including the external audit; and

(d) compliance with constitutional documents.

The CEO is delegated the authority to ensure the effective day-to-day management of the business and the Board monitors the exercise of these powers. The CEO is required to report regularly to the Board on the performance of the Business.

Recommendation 1.2:

A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Disclosure:
The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.
All security holder releases will contain material information following the guidance contained in the Recommendations about any candidate to be elected for the first time or re-elected to enable an informed decision to be made.

Recommendation 1.3:

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Disclosure:
Each senior executive and executive director has a formal employment contract and the non-executive directors have a letter of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:

The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Disclosure:
The Company Secretary has a direct reporting line to the Board, through the Chair.

Recommendation 1.5:

A listed entity should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

Disclosure:
The Company has adopted a diversity policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender diversity. There are currently no women employees in the organisation.

Recommendation 1.6:

A listed entity should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure:
The Board is responsible for evaluating the performance of the Board, its committees and individual directors. This is generally done through a meeting with the Chair.
The review is currently informal but is based on a review of goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with

confidential feedback on his or her performance. There has been no formal performance evaluation during the financial year to date as the Company is still at a start-up phase.

Recommendation 1.7:

A listed entity should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.
Disclosure:
The Board is responsible for evaluating the senior executives. Induction procedures are in place and senior executives have formal job descriptions which includes the process for evaluating their performance.
There has been no formal performance evaluation of the senior executives during the financial year to date as the Company is still at a start-up phase.

Principle 2 – Structure the board to add value Recommendation 2.1:

The Board of a listed entity should establish a Nomination Committee which the majority should be independent directors (including the Chair).
Disclosure:
A Nomination Committee has not been established. The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.

Recommendation 2.2:

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.
Disclosure:
The Board reviews capabilities, technical skills and personal attributes of its directors. It will normally review the Board's composition against those attributes and recommend any changes in Board composition that may be required. An essential component of this will be the time availability of Directors.

	Non-executive chairman/ Company Secretary	Managing director	Non-executive director
Leadership	X	X	X
Strategy / Risk	X	X	X
Communication	X	X	X
Fundraising	X	X	X
Industrial Industry	X	X	X
Governance	X	X	X
Health, safety and environment	X	X	X
Financial acumen	X	X	X

Recommendation 2.3:
A listed entity should disclose the names of the directors considered to be independent directors and length of service of each director.
Disclosure:
There are currently no directors considered to be classified as independent directors.
The dates of the appointment of the directors will be contained in the Directors' Report of the Annual Financial Statements.

Recommendation 2.4:

A majority of the Board of a listed entity should be independent directors.
Disclosure:
The Group does not have a majority of independent directors.
Consistent with the size of the Group and its activities, the Board is comprised of three (3) directors, none of which are currently considered to be independent directors.

The Board's policy is that the majority of directors shall be independent, non-executive directors. The composition of the Board does not currently conform to its policy. The Board considers that each of the directors possesses the skills and experience suitable to building the Company and that the current composition of the Board is adequate for the Company's current size and operations. It is the Board's intention to appoint additional directors at a time when the size of the Group and its activities warrants such a structure.
Recommendation 2.5:

The Chair of the Board of a listed entity should be an independent director.
Disclosure:
The Chair is currently not an independent director.

Recommendation 2.6:

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.
Disclosure:
The Board Charter provides for induction and professional development for the Board.

Principle 3 - Act ethically and responsibly
Recommendation 3.1:

A listed entity should have a Code of Conduct for its directors, senior executives and employees.
Disclosure:
The Company has a Code of Conduct that applies to all Directors, senior executives, employees and contractors.

Principle 4 - Safeguard integrity in corporate reporting Recommendation 4.1

The Board of a listed entity should have an Audit Committee.
Disclosure:
An Audit Committee has not been established. The role of the Audit Committee has been assumed by the full Board operating under the Audit and Risk Committee Charter adopted by the Board.

Recommendation 4.2

The Board of a listed entity should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Disclosure:
This recommendation is included as part of the Audit and Risk Committee Charter adopted by the Board.

Recommendation 4.3

A listed entity should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.
Disclosure:
The Company invites the auditor or representative of the auditor to the AGM.

Principle 5 - Make timely and balanced disclosure

Recommendation 5.1:
A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.
Disclosure:
The Company has adopted a Continuous Disclosure Policy which was designed to ensure compliance with ASX Listing Rule disclosure.

Principle 6 - Respect the rights of security holders
Recommendation 6.1:

A listed entity should provide information about itself and its governance to investors via its website.
Disclosure:
The Company has a website for making this information available to shareholders and investors.

Recommendation 6.2:
A listed entity should design and implement an investor relations program to facilitate two-way communication with investors.
Disclosure:
The Company encourages Shareholders to attend and participate in general meetings and will makes itself available to meet Shareholders and regularly responds to enquiries made via telephone and in writing.

Recommendation 6.3:
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
Disclosure:
The Company encourages Shareholders to attend and participate in general meetings. As a start-up company the Shareholder attendance numbers are expected to be low however, if a Shareholder wishes to provide a comment or question and is not able to attend the meeting, the Company will address this as part of the meeting.

Recommendation 6.4:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
Disclosure:
The Company is currently reviewing and implementing a strategy to receive communications from, and send communications, to its Shareholders.

Principle 7 – Recognise and manage risk

Recommendation 7.1:
The Board of a listed entity should have a committee or committees to oversee risk.
Disclosure:
The Board has adopted a Risk Management Policy. There is no Risk Management Committee and this role is undertaken by the Board. The overall basis for risk management is to provide recommendations about:

(a) Assessing the internal processes for determining and managing key risk areas, particularly:

 (i) non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;

 (ii) litigation and claims; and

 (iii) relevant business risks other than those that are dealt with by other specific Board Committees.

(b) Ensuring that the Group has an effective risk management system and that major risks to the Group are reported at least annually to the Board.

(c) Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.

(d) Evaluating the process the Group has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.

(e) Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.

(f) Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Group's control environment.

Recommendation 7.2:
The Board of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.
Disclosure:
The Board considers risks and discusses risk management at each Board meeting. As part of this all risks are considered including but not limited to strategic, operational, legal, reputation and financial risks. This is an on-going process rather than an annual formal review.

Recommendation 7.3:
A listed entity should disclose if it has an internal audit function.
Disclosure:
The Company does not have an internal audit function but reviews its risk management and internal control processes on a regular basis.

Recommendation 7.4:
The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
Disclosure:
The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the manufacturing and product development industry, the Company does not currently have material exposure to environmental and social sustainability risks.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1:
The Board of a listed entity should have a Remuneration Committee.

Disclosure:
A Remuneration Committee has not been established. The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Recommendation 8.2:
A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.
Disclosure:
The Company provides disclosure of all Directors and executives' remuneration in its annual report.
Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to the performance of the Group. There are no documented agreements providing for termination or retirement benefits to Non-Executive Directors (other than for superannuation).
Executive Directors and senior executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares and / or options granted at the discretion of the Board and subject to obtaining the relevant approvals.

Recommendation 8.3:
A listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.
Disclosure:
Participants in the Company's equity based remuneration schemes are prohibited from entering into any scheme or arrangement under which they hedge or alter the economic benefit that they may derive in respect of their equity based remuneration options or performance rights.