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ACN 611 576 777

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

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**CORPORATE DIRECTORY****Directors**

Gary Steinepreis  
*Non-Executive Chairman*

Alain Bouruet-Aubertot  
*Executive Director*

Toby Chandler  
*Non-Executive Director*

Todd Hoare  
*Non-Executive Director*

**Registered Office**

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33 Ord Street  
WEST PERTH WA 6005

Telephone: + 61 8 9420 9300

Facsimile: + 61 8 9420 9399

Website: [www.cfoam.com](http://www.cfoam.com)

**Company Secretary**

Gary Steinepreis

**ASX Code**

CFO

**Share Registry**

Computershare Investor Services Pty  
Limited

Level 11, 172 St George's Terrace  
Perth WA 6000

Investor enquiries: 1300 557 010

Telephone: +61 8 9323 2000

Facsimile: +61 8 9323 2033

**Solicitors**

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

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

**Auditor**

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

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**CFOAM LIMITED  
DIRECTOR'S REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

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

**Directors**

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

Gary Steinepreis – the director was in office for this entire period.

Toby Chandler – the director was in office for this entire period.

Todd Hoare – appointed 16 June 2017.

Alain Bouruet-Aubertot – appointed 7 July 2017.

Michael Placha – resigned 7 July 2017.

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

**Principal activity**

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

**Financial results**

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

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

**Review of operations**

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

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

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

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

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**Review of operations (continued)**

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

- (i) US\$2,200,000 paid on settlement;
- (ii) CFOAM's subsidiary, Carbon Innovations, LLC (**Carbon Innovations**) issued a US\$800,000 promissory note to Touchstone Research with a term of 5 years and an interest rate of 3% per annum, and which is secured by a first lien security interest over the Assets;
- (iii) Carbon Innovations issued, as amended, a US\$3,800,000 promissory note to Touchstone Research which will accrue interest at 2% per annum and be secured by a second lien security interest over the Assets. This promissory note and any accrued interest is payable by Carbon Innovations to Touchstone Research as follows:
  - (A) US\$1,900,000 plus accrued interest is payable within 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$3,000,000; or
  - (B) if post-Completion cumulative sales volume of CFOAM has not reached US\$3,000,000 within one year of Completion, then US\$1,000,000 plus accrued interest is payable within 10 days of the date that is one year following Completion with the balance of US\$900,000 due on the cumulative sales volume reaching US\$3,000,000; and
  - (C) the remaining principal balance of US\$1,900,000 of the promissory note plus all unpaid accrued interest will be paid in full on the later of:
    - (I) 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$6,000,000; and
    - (II) the second anniversary of the Completion.

**Significant changes in state of affairs**

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

**After balance date events**

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

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

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

**Likely developments and expected results of operation**

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

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**Environmental regulation**

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

**Dividends paid, recommended and declared**

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

**Indemnity and insurance of officers**

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

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

**Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the company**

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

**Non-audit services**

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

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

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

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

**Information Relating to Directors and Company Secretary**

**Gary Steinepreis**

Chair (Non-executive)

Qualifications and Experience

Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and manufacturing industries.

Interest in Shares

3,000,000

Special Responsibilities

Company Secretary

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

**Current**

Helios Energy Ltd (formerly New Horizon Coal Ltd) since 4 June 2010

Taruga Gold Limited since 15 July 2016

**Former**

AVZ Minerals Limited 30 November 2012 to 21 August 2017

ShareRoot Ltd (formerly Monto Minerals Ltd) 16 June 2009 to 12 January 2016

Norseman Gold Plc 3 December 2007 to 9 March 2016

Intercept Minerals Ltd 8 April 2014 to 2 February 2015

**Alain Bouruet-Aubertot**

Executive director

Qualifications and Experience

Mr. Bouruet-Aubertot holds a Master of Science in petroleum economics from the French Petroleum Institute (ENSPM) and a Master of Science in Chemical Engineering from National Chemical Engineering Institute in Paris (ENSCP).

Mr. Bouruet-Aubertot's past roles include President, Chief Executive Officer and Managing Director, Minteq International, Inc ("Minteq") which grew to a US\$400m revenue per year subsidiary of NYSE listed Minerals Technology Inc. ("MTX") at the time of his departure.

MTX is a leading global supplier of mineral-based refractory materials and systems, metallurgical and advanced carbon products. At MTX Mr. Bouruet-Aubertot role included directing 1,300 employees and twenty manufacturing plants on six continents, with full responsibility for business strategy and P&L. Previous to Minteq, Mr. Bouruet-Aubertot was the Corporate Senior Vice President & President of the Gypsum Division of Lafarge North America, a US-based publicly-traded construction materials and building products company. Under Mr. Bouruet-Aubertot's leadership, the gypsum division grew, over a 5 year period, from inception, to a US\$500 million asset base business. Earlier in his career, Mr. Bouruet-Aubertot worked for Rhone Poulenc S.A., a global France-based chemicals company, where, during his tenure, he held senior management positions of increasing responsibility in Europe and the US.

More recently, Mr. Bouruet-Aubertot has worked with private equity investors on deal flow analysis and due diligence activities,

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	and has held executive and board director roles at portfolio companies, including President and CEO of CCSM Materials Inc. a venture capital-backed ceramic materials company.
Interest in Shares	Nil
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Nil
<b>Toby Chandler</b>	Non-executive director
Qualifications and Experience	<p>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.</p> <p>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.</p>
Interest in Shares	5,000,000
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	<b>Current</b> Structural Monitoring Systems plc since 2 May 2011
<b>Todd Hoare</b>	Non-executive director
Qualifications and Experience	Mr Hoare holds a Bachelor of Commerce and Bachelor of Science (Mathematics) degree from the University of NSW. He has extensive capital markets experience - including fund raising, valuation and trading - across the globe, including Hong Kong, New York and Sydney.
Interest in Shares	1,165,000
Special Responsibilities	Nil

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

**Michael Placha**

Managing Director – resigned 7 July 2017

Qualifications and Experience

Mr Placha has worked on various international projects throughout his 40-year career in Australia, Canada, Indonesia, China, Russia, Germany and Italy. Mr Placha earned his Bachelor of Science degree in extractive metallurgy from The Pennsylvania State University.

Mr Placha was Senior Vice President of Signal Peak Energy/Global Rail Group from 2006 until 2010 and was responsible for the financing and development of a \$350 million underground longwall mine in Montana.

Mr Placha led the design and construction of a 36-mile rail spur and 15MTPY coal handling, processing and loadout facilities.

From 2004 until 2006 as President of Sedgman Canada, Mr Placha was responsible for the design and construction of two metallurgical coal facilities in British Columbia, Canada.

Prior to this, Mr Placha spent 16 years with Cyprus Coal and its successor companies working in management, operations, engineering and sales and marketing.

Interest in Shares 12,000,000

Special Responsibilities Chief Executive Officer

Directorships held in other listed entities during the three years prior to the current year **Former**  
New Horizon Coal Ltd 2 December 2011 to 30 November 2016

**Meetings of Directors**

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

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

**Remuneration Report (Audited)**

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

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

- (1) Principles used to determine the nature and amount of remuneration
- (2) Details of remuneration
- (3) Employment contracts of Directors and Senior Executives

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FOR THE YEAR ENDED 30 JUNE 2017**

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- (4) Performance based remuneration
- (5) Other transactions with Key Management Personnel

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

**1 Principles used to determine the nature and amount of remuneration**

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

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

- (i) competitiveness and reasonableness;
- (ii) acceptability to shareholders;
- (iii) performance linkage / alignment of executive compensation;
- (iv) transparency; and
- (v) capital management.

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

Alignment to shareholders' and program participants' interests:

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

***Remuneration Governance***

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

***Use of Remuneration Consultants***

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

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

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

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**Comments and Voting at Annual General Meeting**

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

**2 Details of Remuneration**

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

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

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

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

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

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

**3 Employment Contracts of Directors and Senior Executives**

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

**Michael Placha – Chief Executive Officer – Carbon Innovations, LLC**

Effective date: 1 July 2016 – resigned 7 July 2017

Remuneration: US\$200,000 per annum

Contract duration: Ongoing contract

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Notice by the individual/company: 3 months by the individual, 6 months by the company

Bonus: Carbon Innovations may pay Mr Placha a performance-based bonus at any time during the term of his appointment. There was no bonus paid in the period.

Terms and conditions: The employment contract also contains various other terms and conditions that are considered standard for an agreement of this nature.

**Daniel Placha – Chief Operating Officer – Carbon Innovations, LLC**

Effective date: 1 July 2016 – resigned 14 July 2017

Remuneration: US\$150,000 per annum

Notice by the individual/company: 3 months by the individual, 6 months by the company and performance remuneration lapses

Performance Remuneration: Mr Placha was issued 1,250,000 Performance Rights and 1,750,000 Options which have been forfeited as the vesting conditions were not met as a result of his resignation. Refer to section 4.

Bonus: Carbon Innovations may pay Mr Placha a performance-based bonus at any time during the term of his appointment. There was no bonus paid in the period.

Terms and conditions: The employment contract also contains various other terms and conditions that are considered standard for an agreement of this nature.

**Alain Bouruet-Aubertot - Executive Director – Carbon Innovations, LLC**

Effective date: 7 July 2017

Remuneration: A\$100,000 per annum, subject to review based on time commitment

Notice by the individual/company: 1 month by the individual, 1 months by the company and performance remuneration lapses

Performance remuneration, subject to shareholder approval, and ASX Listing Rules, if required:

A total of 2,500,000 performance rights to vest as follows:

750,000 performance rights - 30 day volume weighted average share price (VWAP) for the shares on ASX is \$0.60 or higher from the date of issue

750,000 performance rights - 30 day VWAP for the shares on ASX is \$0.90 or higher from the date of issue

500,000 performance rights - 30 day VWAP for the shares on ASX is \$1.05 or higher from the date of issue

500,000 performance rights - 30 day VWAP for the shares on ASX is \$1.20 or higher from the date of issue

Conditions:

Upon conversion all milestone shares will be voluntarily escrowed for 3 months. Thereafter, any shares are restricted in terms of sales, such that no more than 250,000 shares can be sold in any 10 trading day period and any restrictions under the Company share trading policy.

A performance right will lapse upon the earlier to occur of 31 December 2019 or the holder ceasing to be employed by the Company.

**Non-Executive Director Agreements - Toby Chandler, Todd Hoare and Gary Steinepreis**

Fees: Directors fees of US\$36,650 per annum

Additional Executive Duties: work undertaken on additional executive duties will be paid at a commercial rate.

This does not form part of the non-executive director fees.

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

#### 4 Performance-based Remuneration

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

#### Ordinary shareholdings

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

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

#### Other securities

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

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

#### Note 1

A 750,000 Performance Rights will vest upon completion of the de-bottleneck of the production of CFOAM process after the capital investment as part of the commercialisation strategy; and

B 500,000 Performance Rights will vest upon the Company's post-Completion cumulative sales volume of CFOAM reaching US\$3,000,000, provided that in no circumstance will the Performance Rights vest prior to 1 year after the Issue Date.

#### Note 2

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

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

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

**5 Other Transactions with Directors and Key Management Personnel**

<b>Borrowings from directors and key management</b>	<b>2017 US\$</b>
Unsecured Loan – Director	-
	<u>-</u>

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

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

**End of the audited remuneration report.**

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

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



**Gary Steinepreis  
Director  
West Perth, 29 September 2017**

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

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

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

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



**Dean Just**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, 29 September 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Basis of Preparation**

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

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

*Comparative information*

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

*Functional and presentation currency*

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

**a) Principles of Consolidation**

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

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

**b) *Going concern***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**f) Asset acquisition**

As discussed in note 16, asset acquisitions do not constitute a business combination, the assets and liabilities are assigned carrying amounts based on their relative fair value in an asset acquisition and no deferred tax will arise in relation to the acquired assets and assumed liabilities.

On 20 October 2016, Carbon Innovations, LLC (100% subsidiary of CFOAM) acquired assets from Touchstone Research Laboratory, Ltd by the issue of shares, cash and promissory notes. Director's judgement was required to be used in classifying this transaction as an asset acquisition rather than a business combination. As the acquisition of the acquired assets is not a deemed business combination, the transaction must be accounted for as a share based payment for the net assets acquired.

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

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

**g) Share based payments**

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. A probability of the achievement of performance conditions is assigned and the share based payment expense is recognised over the estimated vesting period. The accounting estimates and assumptions relating to equity-settled share based payments may impact profit or loss and equity.

The Group also issued equity for the asset acquisition and capital raising costs. The fair value for recognition or disclosure purposes was measured as the fair value based on the price that the shares were issued under the prospectus being the principal market.

**h) Inventories**

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

**i) Intangible assets**

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

**j) Revenue and Other Income**

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

**k) Impairment of Assets**

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

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

**l) Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	10-15 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**m) Borrowings**

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

**n) Financial Instruments**

*Recognition*

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

*Loans and receivables*

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

*Financial liabilities*

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

*Impairment*

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

***o) Issued Capital***

Common shares are classified as equity.

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

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

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

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

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

***q) Fair value measurement***

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

***r) Income tax***

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

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

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

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

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

**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

**s) Foreign Currency Translation**

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

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

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

**t) Trade & other receivables**

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

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

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

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

**(a) New Accounting Standard for Application in Future Periods**

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

**Financial Instruments**

AASB reference: AASB 9 (issued December 2014)

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

Classification and measurement

Nature of Change: AASB 9 amends 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).

**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

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

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

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

#### **Impairment**

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

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

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

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

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

#### **Hedge accounting**

Nature of Change: Under the new hedge accounting requirements:

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

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

#### **Revenue from Contracts with Customers**

AASB reference: AASB 15 (issued December 2014)

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

**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

**Leases**

AASB reference: AASB 16 (issued February 2016)

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

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

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

**(b) Adoption of New and Revised Accounting Standards**

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

**NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

*Asset acquisition*

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

*Share based payments*

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

**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

*Intangibles*

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

*Inventory*

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

*Impairment of intangible assets*

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

**NOTE 4. CHANGE IN PRESENTATION CURRENCY**

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

Australian Dollar (A\$) to United States Dollar (US\$)

	<b>30 June 2017</b>	<b>30 June 2016</b>
Average exchange rates used	Period average exchange rates used 0.7538	Period average exchange rates used 0.74409
Period end closing exchange rates used	0.7672	0.7444

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

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

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- iv. The consolidated cash flow statement was translated at historical period average exchange rates;
- v. Exchange differences on translating income, expenses; movements in equity and reserves at daily exchange rates; and assets and liabilities at closing exchange rates are taken to the foreign currency translation reserve in the equity section and under other comprehensive income/(expense) in the consolidated statement of profit or loss and other comprehensive income; and
- vi. Comparatives for 30 June 2016 have been re-translated.

**NOTE 5. OPERATING SEGMENTS**

*Identification of reportable operating segments*

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

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

*Geographical information*

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

*Major customer*

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

**NOTE 6. CURRENT ASSETS**

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

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

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**NOTE 6. CURRENT ASSETS**

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

**NOTE 7. NON-CURRENT ASSETS**

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

*Reconciliations*

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

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

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**NOTE 8. INTANGIBLES**

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

*Reconciliations*

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

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

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

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**NOTE 9. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES**

	<b>Consolidated</b>	
	<b>30 June 2016</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>
Trade creditors	187,477	199,956
Accruals	190,527	11,070
	<u>378,004</u>	<u>211,026</u>

**NOTE 10. CURRENT LIABILITIES - BORROWINGS**

	<b>Consolidated</b>	
	<b>30 June 2016</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>
Promissory notes – secured	2,060,000	-
	<u>2,060,000</u>	<u>-</u>

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

**NOTE 11. NON-CURRENT LIABILITIES - BORROWINGS**

	<b>Consolidated</b>	
	<b>30 June 2017</b>	<b>30 Jun 2016</b>
	<b>US\$</b>	<b>US\$</b>
Promissory notes – secured	2,493,401	-
	<u>2,493,401</u>	<u>-</u>

Assets pledged as security:

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

- (i) US\$800,000 promissory note with a term of 5 years and an interest rate of 3% per annum, and which is secured by a first lien security interest over the assets acquired under the APA. Payable monthly on a reducing principal basis.
- (ii) US\$3,800,000 promissory note, as amended, which accrues interest at 2% per annum and be secured by a second lien security interest over the assets acquired under the APA. This promissory note and any accrued interest is payable as follows:
  - (A) US\$1,900,000 plus accrued interest is payable within 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$3,000,000; or
  - (B) if post-Completion cumulative sales volume of CFOAM has not reached US\$3,000,000 within one year of Completion, then US\$1,000,000 plus accrued interest (refer Note 10) is payable within 10 days of the date that is one year following Completion with the balance of US\$900,000 due on the cumulative sales volume reaching US\$3,000,000; and
  - (C) the remaining principal balance of US\$1,900,000 of the promissory note plus all unpaid accrued interest will be paid in full on the later of:
    - (I) 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$6,000,000; and
    - (II) the second anniversary of the Completion.

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**NOTE 12. ISSUED CAPITAL**

	Consolidated			
	30 June 2017 Shares	30 June 2016 Shares	30 June 2017 A\$	30 June 2016 A\$
Ordinary shares - fully paid	<u>93,500,000</u>	<u>37,512,500</u>	<u>11,091,554</u>	<u>890,879</u>
			30 June 2017 US\$	30 June 2016 US\$
Ordinary shares - fully paid	<u>93,500,000</u>	<u>37,512,500</u>	<u>8,453,426</u>	<u>663,170</u>

*Movements in ordinary share capital*

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

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

**NOTE 13. SHARE BASED PAYMENTS**

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

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

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

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

  

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

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

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

**NOTE 14. COMMITMENTS**

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

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Commitments:

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

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

- (i) US\$2,200,000 on settlement;
- (ii) Carbon Innovations issued a US\$800,000 promissory note to Touchstone Research with a term of 5 years and an interest rate of 3% per annum, and which is secured by a first lien security interest over the Assets;
- (iii) Carbon Innovations issued a US\$3,800,000 promissory note, as amended, which accrues interest at 2% per annum and be secured by a second lien security interest over the assets acquired under the APA. This promissory note and any accrued interest is payable as follows:
  - (A) US\$1,900,000 plus accrued interest is payable within 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$3,000,000; or
  - (B) if post-Completion cumulative sales volume of CFOAM has not reached US\$3,000,000 within one year of Completion, then US\$1,000,000 plus accrued interest is payable within 10 days of the date that is one year following Completion with the balance of US\$900,000 due on the cumulative sales volume reaching US\$3,000,000; and
  - (C) the remaining principal balance of US\$1,900,000 of the promissory note plus all unpaid accrued interest will be paid in full on the later of:
    - (I) 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$6,000,000; and
    - (II) the second anniversary of second anniversary of the Completion.

**NOTE 15. RELATED PARTY TRANSACTIONS**

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

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

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

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

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

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*Compensation*

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

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

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

**NOTE 16. ASSET ACQUISITION**

**Summary of acquisition**

On 20 October 2016, pursuant to the Asset Purchase Agreement, Carbon Innovations, LLC (100% owned subsidiary of CFOAM) acquired certain assets from Touchstone Research Laboratory, Ltd which are the basis for the CFOAM business.

The transaction is considered to be an asset acquisition and is accounted for based on the net assets acquired.

The fair value of the assets acquired at the date of acquisition are outlined as follows:

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

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

**Supply agreement**

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

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

- (a) **Supply of CFOAM<sub>30</sub>:** in the first year following the date of the Supply Agreement, Carbon Innovations agrees to sell and Touchstone Research agrees to buy a minimum of US\$1,400,000 of CFOAM<sub>30</sub>, being approximately 4,148.15 ft<sup>3</sup> of CFOAM<sub>30</sub>, at \$337.50 per cubic foot. The parties will agree on a delivery schedule for the sale and purchase of this CFOAM<sub>30</sub>.
- (b) **Term:** the Supply Agreement has an initial term of year from the date that it is signed, and will automatically renew for one year unless either party notifies the other in accordance with the Supply Agreement.
- (c) **Additional sales of CFOAM<sub>30</sub>:** if the term of the Supply Agreement is renewed, the parties will negotiate the quality of CFOAM<sub>30</sub> to be sold and purchased during the further 1 year term.

**NOTE 17. CASH AND CASH EQUIVALENTS**

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

	<b>Consolidated</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>
Cash at bank and in hand	2,181,239	365,840

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

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

**(c) Non-cash investing activities**

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

**NOTE 18. ACCUMULATED LOSSES**

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

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**NOTE 19: FINANCIAL RISK MANAGEMENT**

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

**Interest Rate Risk**

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

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

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

<b>2017</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>	<b>Weighted average effective interest rate</b>
<b>Financial Instruments</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>%</b>
<i>Financial assets</i>					
Cash assets	2,181,239	-	-	2,181,239	-
Trade and other receivables	79,003	-	-	79,003	-
<b>Total financial assets</b>	<b>2,260,242</b>	<b>-</b>	<b>-</b>	<b>2,260,242</b>	
<i>Financial liabilities</i>					
Promissory notes-current	-	2,060,000	-	2,060,000	2 - 3%
Promissory notes-non-current	-	2,493,401	-	2,493,401	2 - 3%
<b>Total financial liabilities</b>	<b>-</b>	<b>4,553,401</b>	<b>-</b>	<b>4,553,401</b>	
<b>2016</b>					
<b>Financial Instruments</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>	<b>Weighted average effective interest rate</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>%</b>
<i>Financial assets</i>					
Cash assets	365,839	-	1	365,840	-
Escrow deposit – Asset Purchase Agreement	-	200,000	-	200,000	-
<b>Total financial assets</b>	<b>365,839</b>	<b>200,000</b>	<b>1</b>	<b>565,840</b>	

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

**Sensitivity Analysis – Interest Rate Risk**

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

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	Carrying Amount US\$	Increase 1% Profit US\$	Equity US\$	Decrease 1% Profit US\$	Equity US\$
<b>30 June 2017</b>					
Cash and cash equivalents	2,181,239	21,812	-	(21,812)	-
<b>30 June 2016</b>					
Cash and cash equivalents	365,840	3,658	-	(3,658)	-

**Liquidity Risk**

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

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

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

**Credit Risk**

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

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

**Price Risk**

The Group is not exposed to commodity price risk.

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**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Foreign Currency Risk**

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

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

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

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

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

**Fair Value Measurement**

(a) Net fair value

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

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

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**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

(b) Fair value measurements

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

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

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

<b>NOTE 20: INCOME TAX EXPENSE</b>	<b>2017 US\$</b>	<b>2016 US\$</b>
<b>a. The components of tax expense comprise:</b>		
Current tax	167	-
Deferred tax	-	-
	<u>167</u>	<u>-</u>
<b>b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:</b>		
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	508,549	69,324
Add tax effect of:		
- Revenue losses not recognised	-	-
- Other non-allowable items	-	(69,324)
	<u>508,549</u>	<u>-</u>
<b>Less tax effect of:</b>		
- Other deferred tax balances not recognised	(508,382)	-
<b>Income tax</b>	<u>167</u>	<u>-</u>
<b>c. Unrecognised deferred tax assets:</b>		
Carry forward revenue losses	508,382	-
Carry forward capital losses	-	-
<b>Net deferred tax</b>	<u>508,382</u>	<u>-</u>

**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

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

**NOTE 21: REMUNERATION OF AUDITORS**

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

**NOTE 22: Parent Entity Note**

<b>Financial Position</b>	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>Current assets</b>		
Cash and cash equivalents	1,984,246	335,060
Other receivables	2,278	76,682
<b>Total current assets</b>	<b>1,986,524</b>	<b>411,742</b>
<b>Non-current assets</b>		
Investment in subsidiary	30,000	30,000
Loan to subsidiary	-	293,145
<b>Total non-current assets</b>	<b>30,000</b>	<b>323,145</b>
<b>Total assets</b>	<b>2,016,524</b>	<b>734,887</b>
<b>Current liabilities</b>		
Trade and other payables	97,879	140,990
<b>Total liabilities</b>	<b>97,879</b>	<b>140,990</b>
<b>Net Assets</b>	<b>1,918,645</b>	<b>593,897</b>
<b>Equity</b>		
Share capital	8,453,426	663,170
Foreign currency reserve	(49,004)	-
Accumulated losses	(6,485,777)	(69,174)
<b>Total Equity</b>	<b>1,918,645</b>	<b>593,897</b>
 <b>Financial Performance</b>	 <b>2017</b>	 <b>2016</b>
	<b>\$</b>	<b>\$</b>
Revenue from operations	2,459	616
Provision for intercompany loan	(6,087,938)	-
Expenses from operations	(330,956)	(69,790)
<b>Loss before income tax</b>	<b>(6,416,435)</b>	<b>(69,174)</b>
Income tax expense	(167)	-
<b>Loss for the year</b>	<b>(6,416,602)</b>	<b>(69,174)</b>

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**CFOAM LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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**NOTE 23: CONTINGENT LIABILITIES**

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

**NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE**

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

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

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

**NOTE 25: COMPANY DETAILS**

The registered office of the company is:

Level 1

33 Ord Street

West Perth Western Australia 6005

The principal place of business of the company is:

The Millennium Centre

1142 Middle Creek Road

Triadelphia, West Virginia 26059-1138

United States of America

**NOTE 26: LOSS PER SHARE**

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

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

**CFOAM LIMITED**  
**DIRECTOR'S DECLARATION**

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

1. the financial statements and notes, as set out on pages 13 to 40, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group; and
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

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



**Gary Steinepreis**  
**Director**  
**West Perth, 29 September 2017**

## INDEPENDENT AUDITOR'S REPORT

To the members of CFOAM Limited

### Report on the Audit of the Financial Report

#### Opinion

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

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

#### Material uncertainty related to going concern

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

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## Key audit matters

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

### Accounting for asset acquisition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>On 20 October 2016, the Group acquired certain assets from Touchstone Research Laboratory Ltd, which are the basis for the CFOAM business, for purchase consideration of \$8,403,299 as disclosed in Note 16.</p> <p>The Group treated the transaction as an asset acquisition, rather than a business acquisition.</p> <p>Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment. These judgements include whether the acquisition is accounted for as an asset or business acquisition, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration. This has been identified as a key audit matter because this was a significant transaction during the period which involved judgement to be exercised by management.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset or business acquisition;</li> <li>• Reviewing the sale and purchase agreement to understand key terms and conditions;</li> <li>• Assessing management’s determination of the fair value of consideration paid and agreeing the consideration to supporting documentation;</li> <li>• Assessing the allocation of the purchase price to the net assets which have been acquired;</li> <li>• Agreeing that no goodwill was recognised and that costs associated with the acquisition were capitalised in order to be in line with the correct accounting policy for asset acquisitions; and</li> <li>• Assessing the adequacy of the related disclosures in Notes 1(f), 3 and 16 to the financial report.</li> </ul>

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### Accounting for inventory

Key audit Matter	How the matter was addressed in our report
<p>Inventories, as disclosed in Note 6 of the financial report are a significant asset of the Group.</p> <p>In accordance with AASB 102 Inventories, inventories shall be measured at the lower of cost and net realisable value.</p> <p>This area has been determined to be a key audit matter due to the judgement and complexity involved in the allocation of costs throughout the manufacturing process.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Selecting a sample of costs included in inventory and agreeing to supporting documentation to ensure inventory is initially recorded at acquisition cost;</li> <li>• Discussing with management the process by which costs are allocated to work in progress and finished goods;</li> <li>• Assessing the net realisable value of inventories, by selecting items on a sample basis and comparing to the estimated selling price (less estimated costs of completion and any estimated selling costs);</li> <li>• Assessing management’s estimation of costs to complete work in progress and anticipated sales value of inventory based on sales contracts;</li> <li>• Making enquiries of management regarding obsolete and slow moving inventory items, including inspecting the condition of inventory on hand to confirm saleability; and</li> <li>• Assessing the adequacy of the related disclosures in Notes 1(h), 3 and 6 to the financial report.</li> </ul>

#### Other information

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

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

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

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

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

#### **Responsibilities of the directors for the Financial Report**

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

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

#### **Auditor's responsibilities for the audit of the Financial Report**

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

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

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

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

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



### Responsibilities

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

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over the BDO logo.

**Dean Just**

**Director**

Perth, 29 September 2017

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**CFOAM LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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**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](http://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 current structure of the 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.

The Board currently consists of 4 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

**CFOAM LIMITED  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

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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.

**CFOAM LIMITED  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

**Corporate Governance Statement**

CFOAM Limited, its wholly owned subsidiary (**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.

The Corporate Governance Statement is current as of the balance date (30 June) and has been approved 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	✓	

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**CFOAM LIMITED  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

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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 Executive 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 measurable 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.

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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.

**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.

**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.

	<b>Non-executive chairman/ Company Secretary</b>	<b>Executive director</b>	<b>Non-executive directors</b>
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:**

Todd Hoare is considered to be an independent director. The other directors are not considered to be classified as independent directors due to either an executive role, substantial holder or was involved in the formation of the company.

The dates of the appointment of the directors is 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 four (4) directors, one of which is considered to be independent director.

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.

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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:**

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The Company encourages Shareholders to attend and participate in general meetings and will make 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 an early stage 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:**

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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.

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**ASX ADDITIONAL INFORMATION**

The shareholder information set out below was applicable as at 3 October 2017.

**1 Distribution of Equity Securities**

Analysis of numbers of security holders by size of holding:

		<b>Number</b>
1	-	1,000
1,001	-	5,000
5,001	-	10,000
10,001	-	100,000
100,001	-	and over
		<b>806</b>

There were 54 holders of less than a marketable parcel of ordinary shares.

**2 Restricted Securities**

The following securities are classified as Restricted Securities:

<b>Number</b>	<b>Class</b>	<b>Date that the escrow period ends</b>
32,312,500	Ordinary	26 October 2018

**3 Substantial Holders**

Substantial holders of equity securities, ordinary shares, in the Company are set out below:

**Ordinary Shares** (Holders with 5% or more)

<b>Name</b>	<b>Number held</b>	<b>Percentage of issued shares</b>
Michael Placha	12,000,000	12.83%
Brian Joseph	9,187,500	9.83%
Drake Private Investments LLC	7,145,464	7.64%
Alastair Smith	6,131,250	6.56%
Toby Chandler	5,000,000	5.35%
Carl Coward	4,881,250	5.22%

**4 Voting Rights**

The voting rights attaching to each class of equity security is set out below:

**Ordinary Shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**5 On-Market Buy-Back**

There is no current on-market buy-back.

**6 Listing Rule 4.10.19**

The entity confirms that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

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**7 Equity Security Holders**

The names of the twenty largest holders of ordinary shares are listed below:

Rank	Name	Units	% of Units
1.	MR MICHAEL FRANK PLACHA	12,000,000	12.83
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,854,132	10.54
3.	MR BRIAN JOSEPH	9,187,500	9.83
4.	MR ALASTAIR WARREN SMITH	6,131,250	6.56
5.	MR CARL COWARD	4,881,250	5.22
6.	MR TOBY CHANDLER	4,350,000	4.65
7.	LEISUREWEST CONSULTING PTY LTD <LEISUREWEST A/C>	2,500,000	2.67
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,240,000	2.40
9.	CITICORP NOMINEES PTY LIMITED	1,847,537	1.98
10.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,700,877	1.82
11.	MR ROBERT REVELEY	1,250,000	1.34
12.	JETT CAPITAL ADVISORS PTY LTD	1,050,000	1.12
13.	MR TODD JOHN HOARE	875,000	0.94
14.	LTL CAPITAL PTY LTD	752,249	0.80
15.	MR STACEY RADFORD	721,999	0.77
16.	NIV DAGAN	658,292	0.70
17.	MR TOBY ROBERT SECRETAN CHANDLER	650,000	0.70
18.	MISS JULIANNA MA	538,668	0.58
19.	TINTERN (VIC) PTY LTD <A & P MILLER FAMILY A/C>	510,000	0.55
20.	DRAKE PRIVATE INVESTMENTS LLC	500,000	0.53
<b>Top 20 holders of ORDINARY SHARES (GROUPED)</b>		<b>62,198,754</b>	<b>66.52</b>

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