CFOAM Limited
Appendix 4E
Preliminary final report
30 June 2017

1. Company details

Name of entity:	CFOAM Limited
ABN:	46 611 576 777
Reporting period:	For the year ended 30 June 2017

2. Results for announcement to the market

	US$
Revenues from operations	1,517,569
Loss from continuing activities after income tax	1,695,331
Total Comprehensive Loss for the period	1,744,335

Note: This is the first annual financial report since being listed on ASX and no percentage gains/losses are provided.

Dividends
There were no dividends declared or paid in the period.

Comments

This is the annual financial report for CFOAM Limited since being listed on ASX.

CFOAM was listed on the ASX on 26 October 2016 following a successful capital raising of US$6,873,300 (A$9,000,000) and acquisition of certain assets from Touchstone Research Laboratory, Ltd which are the basis for the CFOAM business.

The revenues from operations, which is net of sales tax, represents sales from 20 October 2016 (being the date of settlement of the acquisition) to 30 June 2017.

CFOAM has implemented processes to debottleneck production, improve capacity and reduce operations costs and the capital improvement projects including major maintenance work on some of the equipment were completed during the financial period.

The results include significant one-off transaction and prospectus and ASX costs, establishment of business costs in the USA and capital repairs and maintenance.

3. Net tangible assets

	Reporting period Cents
Net tangible assets per ordinary security	1.6

4. Control or Loss gained over entities

The Group did not gain control or lose control over any entities in the period.

5. Joint ventures

The Group is not involved in any joint ventures.

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6. Audit status

The preliminary final report is based on accounts which have been not yet been audited and are in the process of being audited. It is not yet known if the audited accounts will contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph.

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7. Attachments

Details of attachments (if any):

The Preliminary Final Report of CFOAM Limited for the year ended 30 June 2017 is attached.

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8. Signed

Lodged electronically

Gary Steinepreis
Director
Perth

Date: 31 August 2017

ACN 611 576 777

UNAUDITED
Preliminary Final Report
CFOAM Limited and its controlled entity
For the year ended 30 June 2017

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

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

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

	Notes	30-June-17 US $	30-June-16 US $
ASSETS			
Current assets			
Cash and cash equivalents		2,181,239	365,840
Trade and other receivables	4	125,422	277,275
Other current assets		190,123	-
Inventories		664,994	-
Total current assets		**3,161,778**	**643,115**
Non-current assets			
Property, plant and equipment	5	3,079,138	-
Intangibles-development asset	6	5,000,327	-
Other non-current assets		168,172	-
Total non-current assets		**8,247,637**	**-**
TOTAL ASSETS		**11,409,415**	**643,115**
LIABILITIES			
Current Liabilities			
Trade and other payables	7	378,004	211,026
Borrowings-promissory note	8	1,160,000	-
Total current liabilities		**1,538,004**	**211,026**
Non-current liabilities			
Borrowings-promissory note	9	3,393,401	-
Total non-current liabilities		**3,393,401**	**-**
TOTAL LIABILITIES		**4,931,405**	**211,026**
NET ASSETS		**6,478,010**	**432,089**
EQUITY			
Issued capital	10	8,453,426	663,170
Foreign currency reserve		(49,004)	-
Accumulated losses	13	(1,926,412)	(231,081)
TOTAL EQUITY		**6,478,010**	**432,089**

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

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

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

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

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

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

	Note	30-June-17 US $	30-June-16 US $
Cash flows from operating activities			
Receipts from customers (inclusive of sales and other taxes)		1,695,331	-
Payments to suppliers and employees (inclusive of sales and other taxes)		(3,116,362)	(97,862)
Interest received		2,459	640
Interest and other finance costs paid		(73,526)	-
Net cash used in operating activities	12	(1,492,098)	(97,222)
Cash flows from investing activities			
Payment for purchase of assets of Touchstone Research Laboratory, Ltd		(2,000,000)	-
Payment of escrow deposit – Asset Purchase Agreement		-	(200,000)
Payments for property, plant and equipment		(1,079,460)	-
Net cash used in investing activities		(3,079,460)	(200,000)
Cash flows from financing activities			
Proceeds from the issue of shares		6,873,300	663,170
Costs of the offer		(486,343)	-
Repayment of loans		-	(56,202)
Proceeds from loans		-	56,202
Net cash provided by financing activities		6,386,957	663,170
Net increase in cash and cash equivalents		1,815,399	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		-	(108)
Cash and cash equivalents at the end of the financial year	12	2,181,239	365,840

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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 period 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 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 entity's functional currency.

a) ***Principles of Consolidation***

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

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

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

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

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

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

c) ***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.

d) ***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.

e) ***Asset acquisition***
As discussed in the notes, 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.

f) ***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.

g) ***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 weighted average costs.

h) ***Development Asset***
Development asset is recognised at cost of acquisition. It has a finite life and are carried at cost less any accumulated amortisation and any impairment losses. The development asset is amortised over a useful life of 15 years.

i) ***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.

j) ***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.

k) ***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	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

l) ***Asset acquisition***

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 and no deferred tax will arise. No goodwill will arise on the acquisition.

m) ***Borrowings***

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Director's judgment was required in classifying the transaction as an asset acquisition rather than a business combination.

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

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.
Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.
Impairment
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

o) ***Issued Capital***
Common shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

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

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

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

q) ***Fair value measurement***

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

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

r) Income tax

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

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

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

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

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

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

s) Foreign Currency Translation

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

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

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

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: 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 the notes, 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.

Intangibles

The development asset being the CFOAM product was acquired as part of the asset acquisition. 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.

NOTE 3. 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.

NOTE 4. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

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

NOTE 5. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30 June 2017	**30 June 2016**
	US$	**US$**
Plant and equipment - at cost	3,227,138	-
Less: Accumulated depreciation	(148,000)	-
	3,079,138	-

Reconciliations

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

Consolidated	Plant and equipment US$
Balance at 1 July 2016	-
Additions through asset acquisition	2,301,202
Additions	925,936
Disposals	-
Depreciation expense	(148,000)
Balance at 30 June 2017	3,079,138

NOTE 6. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	30 June 2017	**30 June 2016**
	US$	**US$**
Development asset - at cost	5,232,900	-
Less: Accumulated amortisation	(232,573)	-
	5,000,327	-

Reconciliations

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

Consolidated	Development Asset US$
Balance at 1 July 2016	-
Additions through asset acquisition	5,232,900
Amortisation expense	(232,573)
Balance at 30 June 2017	5,000,327

NOTE 7. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2016 US$	30 June 2016 US$
Trade creditors	187,477	-
Accruals	190,527	-
	378,004	-

NOTE 9. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	30 June 2016 US$	30 June 2016 US$
Promissory notes – secured	1,160,000	-
	1,160,000	-

Refer to note 9 for further information on assets pledged as security and financing arrangements.

NOTE 9. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	30 June 2017 US$	30 Jun 2016 US$
Promissory notes – secured	3,393,401	-
	3,393,401	-

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

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

(ii) US$3,800,000 promissory note, as amended, which will accrue 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 the Completion.

NOTE 10. ISSUED CAPITAL

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

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

Movements in ordinary share capital

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

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

NOTE 11. ASSET ACQUISITION

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

Purchase consideration	**US$**
- Cash paid	2,200,000
- Shares issued (9,187,500 ordinary shares- note 10)	1,403,299
- Promissory note – note 8	800,000
- Promissory note – note 8, 9	4,000,000
Total purchase consideration	**8,403,299**
Fair value of assets and liabilities acquired	
- Plant and equipment	2,301,202
- Inventory	93,075
- Other non-current assets	205,751
- Other current assets	570,371
- Development asset	5,232,900
Net assets acquired	**8,403,299**

NOTE 12. CASH AND CASH EQUIVALENTS

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

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

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

	Consolidated	
	30 June 2017	30 June 2016
	US$	US$
Net loss after income tax	(1,695,331)	(231,081)
Depreciation and amortisation	798,400	-
Foreign currency reserve	(49,004)	-
Changes in assets and liabilities:		
Increase in inventory	(664,994)	-
Increase in prepayments and other receivables	(48,147)	(77,167)
Increase in trade and other payables	166,978	211,026
Net cash flows used in operating activities	(1,492,098)	(97,222)

NOTE 13. ACCUMULATED LOSSES

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