Carbon Polymers Limited
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Carbon Polymers Limited
Year ended 30 June 2012

Results for announcement to the Market

			2012	2011
Revenue from ordinary activities	Increase by $1,154,011		$1,346,568	$192,557
Profit/(loss) from continuing operations after tax attributable to members	Decrease by $4,039,309		($3,953,289)	$86,020
Profit/(loss) from discontinued operations after tax attributable to members	Decrease by $2,685,109			$2,685,109
Net Profit/(loss) for the period attributable to members	Decrease by $6,724,418		($3,953,289)	$2,771,129

Additional dividend/distribution information
Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2012 are as follows:

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

The board has resolved that no dividends will be paid for the year ended 30 June 2012.

Record date for determining entitlements to the dividend	N/A

Carbon Polymers Limited

ABN 42 000 764 572

Audit and compliance Statement

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent issues Group Interpretations or other standards acceptable to ASX.

This report, and the accounts upon which it is based (if separate), use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on accounts, which are in the process of being audited.

Dated 31 August 2012

Andrew Howard

Managing Director

Carbon Polymers Limited

ABN 42 000 764 572

Consolidated Financial Statements
For the Year Ended 30 June 2012

Carbon Polymers Limited
ABN 42 000 764 572

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Directors' Report
For the Year Ended 30 June 2012

Your Directors present their report, together with the statement of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2012.

1. General Information

Information on Directors

The names of each person who has been a Director during the year and to the date of this report are:

A.D. Howard

Qualifications:	Registered Representative – Sydney Future Exchange
Experience:	Extensive experience in capital markets with local and international investment bankers over many years.
Interest in shares and options:	Indirect interest in 17,000,000 ordinary shares
Special responsibilities:	Managing Director
Other current Directorships in listed entities:	Allmine Group Limited (ASX:AZG)

P. De Prima

Qualifications:	Finance broker by profession
Experience:	More than 40 years of experience in the finance and banking industry
Interest in shares and options:	Beneficial interest in 16,200,000 ordinary shares

Dr K. C. W. Wong

Qualifications:	Medical practitioner by profession
Experience:	Fellow of the Australian Institute of Company Directors
Interest in shares and options:	Beneficial interest in 821,852 ordinary shares

P. J. Merhi

Qualifications:	Accountant by profession
Experience:	Extensive experience in the management of companies
Interest in shares and options:	Beneficial interest in 22,600,000 ordinary shares and 400,000 convertible notes

G Vella

Experience:	Extensive experience in the management of companies, property development and investment.
Interest in shares and options:	Beneficial interest in 1,770,578 ordinary shares and 2,250,000 convertible notes

J Gordon

Qualifications:	Engineer by profession
Experience:	Extensive experience in designing plant and equipment.
Interest in shares and options:	Beneficial interest in 32,689,791 ordinary shares.

R Johnson

Qualifications:	Accountant by profession
Experience:	Capital markets consultancy
Interest in shares and options:	Nil

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Group during the financial year were general investments and the development of a rubber tyre processing facility in Australia.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Directors' Report
For the Year Ended 30 June 2012

1. General Information (continued)

Meeting of Directors

During the financial year, meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Number Eligible to Attend	Number Attended
A. D. Howard	9	9
P. De Prima	6	5
Dr K. C. W. Wong	6	4
P. J. Merhi	9	8
G Vella	9	9
J Gordon	3	3

2. Operating Results and Review of Operations of the Year

Operating Results

The consolidated loss of the Group for the financial year amounted to $3,953,289 (2011: profit $2,771,129) after providing for income tax.

Dividend Paid or Recommended

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

Review of Operations

A review of the operations of the Group during the financial year and the results of those operations show the following:

3. Financial Review

Financial Position

The Group has completed its current phase, and has positioned itself to increase production and growth.

4. Other Items

Significant Changes in State of Affairs

There have been not significant changes in the state of affairs of entities in the Group during the year, other than as mentioned above.

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future Developments and Results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Issues

The Group's operations are regulated in NSW, WA and SA by the respective State Environmental Protection Acts. There were no breaches of the various State Environmental protection Acts during the year.

5. Indemnifying Officers

No indemnities have been given during or since the end of the financial year for any person who is or has been an officer or auditor of the Group.

The Company has paid premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

6. Options

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of options issued to Directors and other key management personnel (KMP) as remuneration, refer to the remuneration report.

At the date of this report, the unissued ordinary shares of Carbon Polymers Limited under options are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
8 April 2011	8 April 2014	$0.30	10,350,000
1 December 2011	8 April 2014	$0.30	10,058,000
			20,408,000

During the year ended 30 June 2012, no ordinary shares of Carbon Polymers Limited were issued on the exercise of options granted.

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

7. Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings during the year.

The Company was not a party to any such proceedings during the year.

8. Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2011, for the year ended 30 June 2011 has been received and can be found on page 11 of the financial report.

No non-audit services were performed during the financial year.

9. Remuneration Report

Remuneration Policy

The remuneration policy of Carbon Polymers Limited has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Carbon Polymers Limited believes the remuneration policy to be

9. Remuneration Report (continued)

appropriate and effective in its ability to attract and retain the best Key Management Personnel to run and manage the Group, as well as create goal congruence between Directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy has been developed by the Board following professional advice from independent external consultants.
- All KMP receive a base salary (which is based in factors such as length of service and experience), superannuation, fringe benefits, and performance incentives.
- Performance incentives are based on predetermined key performance indicators (KPIs).
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and Company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Board review KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholder's value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options.

Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the law, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement.

Any options not exercised before or on the date of termination will lapse.

All remuneration paid to KMP is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align their interests with shareholder's interests.

Options granted under these arrangements do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

KMP who are subject to these arrangements are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, i.e. put options, on unvested shares and options which form part of their remuneration package. Terms of employment signed by such personnel contain details of such restrictions.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy has been effective in increasing shareholder wealth over the past 4 years.

9. Remuneration Report (continued)

Performance Conditions Linked to Remuneration

The KPIs are set annually, with a certain level of consultation with KMP to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholders wealth before the KPIs are set out for the following year.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external of the Group at this time.

Employment Details of Members of KMP and other Executives

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group, and to the extent different, among the five Group executives or Company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Service Agreements

On appointment to the Board, all non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of Director.

The remuneration and other terms of employment for the Managing Director and senior executives are set out in formal service agreements as summarised below.

All service agreements are for an unlimited duration.

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

Remuneration Details for the Year Ended 30 June 2012

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the KMP of the Group and, to the extent different, the five Group executives and five Company executives receiving the highest remuneration:

Table of Benefits and Payments – Short Term 2012

Directors	Salary $	Consulting Fees $	Long-Term Benefits - Superannuation	Total $
A. D. Howard	64,975	125,177	5,848	196,000
P. De Prima				
Dr K. C. W. Wong				
P. J. Merhi				
G. Vella				
J. Gordon		300,147		300,147
	64,975	425,324	5,848	496,147

Directors' Report
For the Year Ended 30 June 2012

9. Remuneration Report (continued)

Table of Benefits and Payments – Short Term 2011

Directors	Salary $	Consulting Fees $	Total $
A. D. Howard	15,000	90,000	105,000
P. De Prima	-	-	-
Dr K. C. W. Wong	-	-	-
P. J. Merhi	-	-	-
G. Vella	-	-	-
KMP			
J. Gordon	-	472,864	472,864
	15,000	577,864	592,864

Securities Received that are not Performance Related

No members of KMP are entitled to receive securities which are not performance-based as part of their remuneration package.

This Directors report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: ______________________
A. D. Howard

Dated: 31 August 2012

Corporate Governance Statement

This statement on the corporate governance of the Company is based on the principles of corporate governance set out in the ASX Principles of Corporate Governance and Recommendations.

Principle 1: Laying Solid Foundations for Management of Oversight

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders.

The Board of Directors comprises:

A. D. Howard (Chairman and Managing Director)	Appointed as Director in June 2010 and Chairman and Managing Director in August 2010
Dr K. C. W. Wong	Appointed 2001, resigned 13 March 2012
P. De Prima	Appointed June 2010, resigned 16 February 2012
P.J. Merhi	Appointed 29 November 2010
G. Vella	Appointed 9 March 2011, resigned 5 July 2012
R Johnson	Appointed 5 July 2011
J Gordon	Appointed 9 March 2012

The composition of the Board is determined by the shareholders.

The specific role of the Board and Directors is to:

- ensure compliance in legal, statutory, and other ethical matters;
- monitor the business environment;
- identify business risk areas;
- identify business opportunities; monitor systems established to ensure prompt responses to shareholders complaints and enquires.

Principle 2: Structuring the Board to Add Value

Board Composition
The Board is comprised of a Chairman and four independent Directors. All Directors have a personal financial interest in the Company. The Company is small and the Board considers that a financial interest is desirable and does not compromise independence. Four of the Directors are regarded as independent and the Board is comprised of a balance of Directors. The Board considers this composition is appropriate for a Company of this size. Details of the skills, experience and expertise of the Directors is set out in the Directors Report.

The Directors, other than the Managing Director, are subject to rotation in accordance with the Company's constitution.

The Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

Audit Committee
As the Company was not within the ASX top 500, an audit committee is not mandatory. The Board considers that a formal audit committee would not provide improved efficiencies. The Managing Director is involved in the day to day management and control of the Company.

The Board periodically reviews the Company's accounting policies; the content of financial statements; issues relating to the controls applied to the Company's activities, the content, effectiveness of the external audit; risk management issues; compliance issues and other related matters.

Remuneration Committee

The remuneration of the Directors is determined by the Board subject to the limits set by the Company's constitution and/or the shareholders in general meeting.

The Company has a small Board of Directors. The Board considers that a formal remuneration committee would not provide improved efficiencies.

Nomination Committee

The Company has a small Board of Directors. The Board considers that a formal nomination committee would not provide improved efficiencies.

Independence of Directors

The Company has a majority of independent Directors on the Board.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Director's Report.

Consideration is also given to the issue of Director Independence in any situation where an individual director may be a partner in, controlling shareholder of, or executive of any entity which has a material commercial relationship with the Company. The Board would consider whether the relevant director remained independent in any situation where, as a result of the commercial relationship with the Company, an amount is paid or received and the director had a direct or indirect material interest.

Principle 3: Promotion of Ethical and Responsible Decision-Making

The Company maintains high standards of ethical conduct to ensure all its activities are undertaken with efficiency, honesty and fairness.

Because of its size, the Company does not consider a written statement of the Principles of Conduct will provide greater efficiency.

Dealings by Directors and Officers in Company Securities

Specific policies have been adopted by the Board in relation to buying or selling by Directors and employees, of securities in the Company itself. Directors and officers must not buy or sell the Company's securities if they possess information which is not generally available and which may materially affect the value of the Company's securities until that information has been released to the market and adequate time has been given for this to be reflected in the securities prices.

Details of all securities transactions by Directors are publicly reported to the Australian Stock Exchange within five business days of their occurrence as required by the Listing Rules.

Principle 4: Safeguarding Integrity in Financial Reporting

The Company is not required to establish an Audit Committee. (Refer to Principle 2).

The Board has obtained from the Managing Director/CEO and the Company Secretary/CFO written affirmation that to the best of their knowledge and belief the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results are in accordance with relevant accounting standards.

Principle 5: Timely and Balanced Disclosure

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market respect to its securities. Accordingly, we keep the market advised of all information required to be disclosed under the Rules which we believe would have material affect on the price or value of the Company's securities.

The Company Secretary and the Managing Director have responsibility for compliance with ASX Listing Rules.

Corporate Governance Statement

Because of its size, the Company does not consider a written statement of policies and procedures designed to give affect to obligations under the ASX Listings Rules will provide greater efficiency.

Principle 6: Respecting the Rights of Shareholders

Our shareholders own the Company, and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. As owners of the Company, the Board maintains active communication with shareholders as often as is practicable.

Each year the Company asks its external auditor to attend the Annual General Meeting to answer any shareholders' questions regarding the audit.

Principle 7: Recognising and Managing Risk

The Company is committed to the establishment and maintenance of a sound system of risk oversight, management and internal control. The Company has recognised and addressed material risks to the business since its inception. The Company does not consider a formal statement of risk management procedures would result in improved efficiency.

The Managing Director/CEO and Company Secretary/CFO have stated in writing that the Company's risk management and internal compliance and control system is operating efficiently in all material respects and the statement given at Principle 4 is founded on a sound system of risk management and internal compliance and control.

Principle 8: Remunerate Fairly and Responsibly

Carbon Polymers Limited is a small company. The Board does not consider that formal performance procedures would improve efficiencies. An informal annual performance evaluation of the Board and all Board members was conducted by the Board for the financial year ended 30 June 2011. The Chairman also speaks to each Director individually regarding their role as a Director and to identify ways to improve performance.

The Board sets the remuneration of executive directors. The Company does not employ any non director executives. The Board does not consider that a formal Remuneration Committee would improve efficiencies when the Company has a small Board of Directors and no non-Director executives.

The Constitution of Carbon Polymers Limited requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between non-executive directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on directors, together with such factors as the general level of fees paid to Australian corporate Directors.

Non-executive directors do not receive any performance based remuneration. Non-executive Directors' remuneration comprises solely of directors' fees and allowances plus payments pursuant to the Superannuation Guarantee Contribution.

Further information of Directors' remuneration is set out in the Financial Report.

Executives are also entitled to participate in the employee share and option agreements.

The amount of remuneration for all directors and other KMP, including all monetary and non-monetary components are detailed in the Financial Report. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the Company. It will also provide executives with the necessary incentives to work to grow long term shareholder value.

Corporate Governance Statement

The payment of bonuses, options and other incentive payments are reviewed by the Directors annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria.

Explanations for Departures from Best Practice Recommendations

The Board has adopted corporate governance practices that are commensurate with the size and scope of the Company and its activities. The Company has therefore adopted policies, procedures and structures which have been designed with the best interests

of the Company and its shareholders in mind, and which are practical and efficient to implement, notwithstanding that these are not in all instances consistent with the specific recommendations of the ASX Corporate Governance Council. To the extent that the Company's practices did not conform with the ASX Principles and Recommendations during the reporting period, and explanation for departure from the respective Principles and Recommendations is provided below:

Principle – Ref/Notification of Departure – Explanation For Departure

Principle 1

1.1 Formalise the functions reserved to the Board and those delegated to management

As the Company currently has limited numbers of fulltime employees it is not possible to delegate any functions to management. The Company's business is controlled by the Directors.

Principle 2

2.3 The roles of the Chairman and Chief Executive Officer should not be the same person

Given the size and scope of the Company's operations the Board considers that there is no real benefit to be gained by appointing a Chief Executive Officer in addition to the Chairman.

2.4 A Separate Nomination Committee has not Been Formed

The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

Principle 4

4.1 to 4.4 The Board Should Establish an Audit Committee

The Company is not required to establish an Audit Committee. (Refer to Principle 2).

The Board has obtained from the Managing Director/CEO and the Company Secretary/CFO written affirmation that to the best of their knowledge and belief the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results are in accordance with relevant accounting standards.

Principle 7

7.1 The Board Should Establish Policies on Risk Oversight and Management

Due to the size and scope of the Company's operations the full Board is responsible for the risk oversight and management issues. All acquisitions and disposals are approved by the Board.

Principle 8

8.1 The Board Should Establish a Remuneration Committee

The Company has a small Board of Directors. The Board considers that a formal remuneration committee would not provide improved efficiencies.

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Board of Carbon Polymers Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney;

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue	2	1,345,675	179,014
Other income	2	893	13,543
Cost of sales		(518,609)	(10,632)
Depreciation and amortisation expense		(2,713,240)	(133,183)
Other expense	3	(1,873,347)	-
Finance costs		(194,661)	-
Fair value adjustments		-	37,278
(Loss)/profit before income tax		(3,953,289)	86,020
Income tax expense		-	-
(Loss)/profit from continuing operations		(3,953,289)	86,020
(Loss)/profit from discontinued operations	4	-	2,685,109
(Loss)/profit for the year		(3,953,289)	2,771,129
Other comprehensive income:			
Net gain on revaluation of plant and equipment		-	1,881,393
Other comprehensive income for the year, net of tax		-	1,881,393
Total comprehensive (loss)/income for the year		(3,953,289)	4,652,522
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	24	(.02)	2.42
Diluted earnings per share (cents)	24	(.02)	2.59

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Assets			
Current assets			
Cash and cash equivalents	6	374,767	310,538
Trade and other receivables	7	1,360,268	55,079
Inventories	8	394,715	579,183
Current tax receivables	16	-	198,256
Other assets	12	-	243,000
Total current assets		2,129,750	1,386,056
Non-current assets			
Property, plant and equipment	10	8,607,561	5,738,581
Intangible assets	11	11,610,000	13,877,037
Total non-current assets		20,217,561	19,615,618
Total assets		22,347,311	21,001,674
Liabilities			
Current liabilities			
Trade and other payables	13	1,373,895	878,602
Short-term provisions	15	10,343	10,343
Total current liabilities		1,384,238	888,945
Non-current liabilities			
Borrowings	14	3,812,001	1,650,000
Total non-current liabilities		3,812,001	1,650,000
Total liabilities		5,196,239	2,538,945
Net assets		17,151,072	18,462,729
Equity			
Issued capital	17	34,531,660	31,890,028
Reserves	18	2,292,713	2,292,713
Accumulated losses		(19,673,301)	(15,720,012)
Total equity		17,151,072	18,462,729

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2012

	CONSOLIDATED							
	Ordinary Shares $	Retained Earnings $	Capital Profits Reserve $	Asset Revaluation Reserve $	Foreign Currency Translation Reserve $	Option Reserve $	Non – Controlling Interests $	Total $
Balance at 1 July 2011	31,890,028	(15,720,012)	219,462	1,881,393	-	191,858	-	18,462,729
(Loss)/profit attributable to members of the parent entity		(3,953,289)						(3,953,289)
Shares issued during the year	2,641,632							2,641,632
Balance at 30 June 2012	34,531,660	(19,673,301)	219,462	1,881,393	-	191,858	-	17,151,072

	CONSOLIDATED							
Balance at 1 July 2010	17,669,883	(18,491,141)	219,462	-	(1,115)	191,858	100	(410,953)
Profit attributable to members of the parent entity	-	2,771,129	-	-	-	-	-	2,771,129
Shares issued during the year	14,490,000	-	-	-	-	-	-	14,490,000
Transaction costs	(269,855)	-	-	-	-	-	-	(269,855)
Revaluation of property, plant and equipment	-	-	-	1,881,393	-	-	-	1,881,393
De-recognition of non-controlling interests	-	-	-	-	-	-	(100)	(100)
Adjustments from translation of foreign controlled entities	-	-	-	-	1,115	-	-	1,115
Balance at 30 June 2011	31,890,028	(15,720,012)	219,462	1,881,393	-	191,858	-	18,462,729

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2012

	Note	Consolidated 2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		1,480,242	261,836
Payments to suppliers and employees		(2,407,970)	(1,150,906)
Dividends received		-	932
Interest received		893	12,611
Interest paid		(194,661)	(24,252)
Net cash (used in)/provided operating activities	20	(1,121,496)	(899,779)
Cash flows from investing activities			
Proceeds from disposal of shares		-	31,643
Acquisition of property, plant and equipment		(3,257,054)	(2,012,092)
Development expenditure		-	(589,966)
Net cash provided/(used in)operating activities		(3,257,054)	(2,570,415)
Cash flows from financing activities			
Proceeds from issue of shares		2,641,632	2,610,045
Proceeds from the issue of convertible notes		1,000,000	750,000
Proceeds from net borrowings		1,162,001	338,985
Net cash provided by/(used in) financing activities		4,803,633	3,699,030
Other activities			
Effect of exchange rates on cash holdings in foreign currencies		-	1,115
Net cash provided by/(used in) other activities		-	1,115
Net increase/(decrease) in cash and cash equivalents held		425,083	229,951
Cash and cash equivalents at beginning of financial year		310,538	80,587
Cash and cash equivalents at end of financial year	6	735,621	310,538

The accompanying notes form part of these financial statements

Notes to the Financial Statements
For the Year Ended 30 June 2012

This financial report includes the consolidated financial statements and notes of Carbon Polymers Limited and Controlled Entities (the Group).

Carbon Polymers Limited is a company domiciled in Australia.

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2011.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Carbon Polymers Limited at the end of the reporting period. A controlled entity is any entity over which Carbon Polymers Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is contained on Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated or consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial statement of financial position and consolidated statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where acquirer obtains control over one or more businesses which results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited expectations, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

(b) Principles of Consolidation (continued)

The acquisition may result in the recognition of goodwill (refer Note 1 (h)) or gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration comprises the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the consolidated statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable.

Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the consolidated statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs when incurred in relation to the business combination are expensed to the consolidated statement of comprehensive income.

(c) 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 portion 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. Costs of purchased inventory are determined after deducting rebates and discounts.

(d) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a consolidated statement of financial position as at the beginning of the earliest comparative period will be presented.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(e) Property, Plant and Equipment (continued)

Depreciation

The depreciable amounts of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a reducing balance basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease of the estimated useful lives of the improvements. Land is not depreciated.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment: 2.5%-12.5%

The assets' residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of comprehensive income.

(f) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at their fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method;
- less any reduction for impairment

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(f) Financial Instruments (continued)

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

(i) Financial Assets at Fair Value through Profit or Loss
Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by KMP on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments they are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-Maturity Investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The Group did not hold any held-to-maturity investments in the current or comparative financial year.

(iv) Available-for-Sale Financial Assets
Available for sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period.

(v) Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment
Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions on the stock exchange. At the end of each reporting period, the

(f) Financial Instruments (continued)

Group assess whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the consolidated statement of comprehensive income.

(g) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in the use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) as a pre-tax discount rate reflecting the specific risks in the asset/CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition-date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiaries in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect the measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(i) 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 3 months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position.

(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is give to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services rendered by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(m) Income Tax (continued)

Where temporary differences exist in relation to investments in subsidiaries, braches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current assets and liabilities are offset where a legally enforceable right set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-offs exists, the deferred tax assets and liabilities relate to income taxed levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(n) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the consolidated statement of financial position.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(o) Revenue and Other Income

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sales of Goods

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 on those goods.

In certain circumstances, in agreement with the customer, revenue will be recognised when an invoice is issued, and the transfer of significant risks and rewards of ownership of the good will be assumed to have occurred even though the goods have not yet been delivered to the customer. In this instance the goods relating to these transactions will be held on the company's premises as consignment stock for the customer.

Interest Revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial asset is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services (GST).

(p) Borrowing Costs

Borrowing costs are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Good and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items are measured at fair value are reported at the exchange at the fate when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of comprehensive income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- Income and expenses are translated at average rates for the period where the average rate approximates the rate at the date of the transaction
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of comprehensive income in the period in which the operation is disposed.

(s) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated in the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic date, obtained both externally and within the Group.

(s) Critical Accounting Estimates and Judgements (continued)

Key Estimates –Impairment of Plant and Equipment

The Group assess impairment at the end of each reporting period by evaluation conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value—in-use calculations which incorporate various key assumptions.

(t) Adoption of New and Revised Accounting Standards

During the current year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. Of those not yet mandatory, none have any material impact.

2. Revenue and Other Income

	Consolidated	
	2012	2011
	$	$
Revenue from continuing operations		
Sales revenue		
• Sale of goods	1,345,675	179,014
Other revenue		
• Interest received	893	12,611
• Dividend received	-	932
	893	13,543
Total revenue	1,346,568	192,557

(a) Other income

(Loss) on disposal of non-current assets	-	(35,098)
Fair value adjustment to investment property	-	37,278
	-	2,180

(b) Interest revenue

Interest revenue from:		
• Bank	893	12,611
Total interest revenue on financial assets not at fair value through profit or loss	893	12,611

3. Loss for the Year

The results for the year include the following specific expenses

	Consolidated 2012 $	Consolidated 2011 $
Interest expense		
• External	194,661	24,252
Total finance costs	194,661	24,252
Rental expense on operating leases:		
• Minimum lease payments	362,814	127,337

4. Discontinued Operations

On 11 October 2010, the Group announced its decision to dispose of Simultech Pte Ltd, thereby discontinuing its operations in this business segment.

The subsidiary was sold on 10 October 2010 and the subsidiary disposed of is reported in these financial statements as a discontinued operation.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of this discontinued operation to the date of sale which is included in profit/(loss) from discontinued operations is as follows:

	2012	2011
Revenue	-	-
Expenses	-	-
Profit from discontinued operations	-	2,685,109
Profit before income tax	-	2,685,109
Profit attributable to members of the parent entity	-	2,685,109
Total profit after tax attributable to the discontinued operation	-	2,685,109
Details of the sale		
Cancellation of Simultech Pte Ltd debt	-	4,698,305
Foreign currency adjustment	-	4,997
Net cash flow	-	4,703,302
Carrying amount of non-cash assets sold	-	(2,018,193)
Profit from disposal of interest in Simultech Pte Ltd	-	2,685,109

5. Income Tax Expense

(a) The components of tax expense comprise:

	Consolidated 2012 $	2011 $
Current tax expense		
Income tax expense	-	-
Total Income tax expense	-	-

(b) The prima facie tax on (loss)/profit before income tax is reconciled to the income tax expense as follows:

	2012 $	2011 $
Prima facie tax payable on (loss)/profit before income tax at 30% (2011: 30%)		
• Economic entity	(1,185,987)	1,395,756
Add:		
Tax effect of:		
• Other non-allowable items		-
• Deferred tax benefits not/(brought) to account	1,185,987	(1,395,756)
Income tax expense	-	-

6. Cash and Cash Equivalents

Cash at bank and in hand	374,767	310,538

7. Trade and Other Receivables

Current		
Trade receivables	798,626	55,079
Other receivables	561,642	-
Total current trade and other receivables	1,360,268	55,079

8. Inventories

Current		
At cost:		
Finished goods	394,715	579,183

9. Superannuation Commitments

The economic entity contributes to various contribution superannuation plans for the purpose of superannuation guarantee payments and payments to other superannuation benefits on behalf of employees. Benefits provided under the various plans are based on accumulated contributions and earnings for each employee.

10. Property, Plant and Equipment

	Consolidated	
	2012	2011
	$	$
Plant and equipment		
At directors' valuation	1,881,393	2,887,549
At cost	7,272,424	2,951,085
Accumulated depreciation	(546,256)	(100,053)
Total plant and equipment	8,607,561	5,738,581

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment
	$
Balance at the beginning of the year	5,738,581
Additions	3,257,054
Depreciation expense	(388,074)
Balance at 30 June 2012	8,607,561
Balance at the beginning of the year	5,871,764
Additions	-
Depreciation expense	(133,183)
Balance at 30 June 2011	5,738,581

11. Intangible Assets

	Consolidated 2012 $	Consolidated 2011 $
Goodwill		
Cost	11,610,000	11,610,000
Net carrying value	11,610,000	11,610,000
Development costs		
Cost	2,325,166	2,325,166
Accumulated amortisation and impairment	(2,325,166)	(58,129)
Net carrying value	-	2,267,037
Intangible assets		
Cost	450,000	450,000
Accumulated amortisation and impairment	(450,000)	(450,000)
Net carrying value	-	-
Total intangibles	11,610,000	13,877,037

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the consolidated statement of comprehensive income. Goodwill has an indefinite life and is not amortised.

12. Other Assets

	Consolidated 2012 $	Consolidated 2011 $
Current		
Other assets	-	243,000
	-	243,000

13. Trade and Other Payables

	2012	2011
Current		
Unsecured liabilities		
Trade payables	713,806	355,600
Sundry payables and accrued expenses	660,089	183,002
Shareholders' loans	-	340,000
	1,373,895	878,602

14. Borrowings

	Consolidated 2012 $	2011 $
Non-current		
Unsecured liabilities	1,162,001	-
Convertible notes	2,650,000	1,650,000
Total non-current borrowings	3,812,001	1,650,000

(a) Convertible Notes

There are five series of convertible notes on issue. The first note being 3,000,000 notes convertible at 30 cents per note, carries interest calculated at 7% per annum and the other notes being 7,100,000 notes in total convertible at 25 cents per carry note carry interest calculated at 10% per annum.

15. Provisions

	Consolidated 2012 $	2011 $
Analysis of total provisions		
Current	10,343	10,343
	10,343	10,343

16. Tax

Current	-	198,256
	-	198,256

17. Issued Capital

172,324,966 (2011: 114,575,576 ordinary shares)	34,521,660	31,890,028
	34,521,660	31,890,028

17. Issued Capital (continued)

(a) Ordinary Shares

	Consolidated 2012 No.	Consolidated 2011 No.
At the beginning of the reporting period	114,575,576	74,388,909
Shares held during the year:		
Issued 31 August 2009	-	-
Issued 9 July 2010	-	3,520,000
Issued 14 October 2010	-	30,000,000
Issued 15 April 2011	-	5,826,667
Issued 18 April 2011	-	840,000
Issued 7 June 2012	57,749,390	-
At the end of the reporting period	172,324,966	114,575,576

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

For information relating to options, refer to Note 6 of the Director's Report.

(c) Capital Management

Management controls the capital of the Group in order to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Capital consists of share capital, non-redeemable preference shares, retained profit and non-controlling interests of the Group.

The Group's debt and capital includes issued shares and convertible notes.

There are no externally imposed capital requirements.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the statement of financial position plus net debt.

There have been no changes in the strategy adopted by management during the year.

The gearing ratios for the year ended 30 June 2012 and 30 June 2011 are as follows:

17. Issued Capital (continued)

		Consolidated	
	Note	2012 $	2011 $
Total borrowings	14	3,812,001	1,650,000
Trade and other payables	13	1,373,895	878,601
Less cash and cash equivalents	6	(374,767)	(310,538)
Net debt		4,811,129	2,218,063
Total equity		17,151,072	18,462,729
Total capital		21,962,201	20,680,792
Gearing ratio		3	11

18. Reserves

	2012 $	2011 $
(a) Asset Revaluation Reserve	1,881,393	1,881,393

The asset revaluation reserve records realised gains on revaluation of property, plant and equipment recorded at fair value.

	2012 $	2011 $
(b) Capital Profits Reserve	219,462	219,462

The capital profits reserves records non-taxable profits on sale of investments.

	2012 $	2011 $
(c) Option Reserve	191,858	191,858

The option reserve records amounts recognised as expense on the valuation of share options issued. The balance of the options reserve was transferred to retained earnings at year end, as the options have lapsed.

19. Auditors Remuneration

	2012 $	2011 $
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the financial report		
- Stirling International	-	25,000
- KS Black & Co	22,500	-

20. Cash Flow Information

Reconciliation of (loss)/profit to net cash (used in)/ provided by operating activities:

	Consolidated	
	2012 $	2011 $
(Loss)/profit for the year	(3,953,289)	2,771,129
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in (loss)/profit:		
• depreciation and amortisation	2,713,240	133,183
• fair value adjustments	-	(37,278)
• profit from discontinued operations	-	(2,685,109)
• gain on disposal of non-current assets held for sale	-	35,098
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
• (increase)/decrease in trade and other receivables	(1,305,189)	148,372
• (increase)/decrease in other assets	243,000	(243,000)
• (increase)/decrease in inventories	184,468	(579,183)
• increase/(decrease) in trade and other payables	996,274	(328,643)
• increase/(decrease) in provisions	-	(114,348)
Net cash (used in)/provided by operating activities	(1,121,496)	(899,779)

21. Capital and Leasing Commitments

Operating Lease Commitments – Property Leases

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

Payable – minimum lease payments:		
• no later than1 year	362,814	362,814
• between 1 year and 5 years	653,270	1,016,084
	1,016,084	1,378,898

Operating leases have been taken out for the Group's operating premises. Lease payments are increased on an annual basis to reflect market rentals.

22. Financial Risk Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and material risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts, loans to and from subsidiaries, bills, leases, preference shares, and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

22. Financial Risk Management (continued)

	Consolidated	
	2012	2011
	$	$
Financial assets		
Cash and cash equivalents	374,767	310,538
Total financial assets	374,767	310,538
Financial liabilities		
Financial liabilities at amortised cost		
• Trade and other payables	1373,895	878,601
	1,373,895	878,601

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and equity price risk.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

(ii) Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

22. Financial Risk Management (continued)

(b) Interest Rate Risk

Financial Instrument Composition and Maturity Analysis

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in marker interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturity Within 1 Year		Non-Interest Bearing		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	%	%	$	$	$	$	$	$	$	$
Financial Assets										
Cash and cash equivalents	-	4.00	374,767	310,538	-	-	-	-	374,767	310,538
Receivables		-	-	-	-	-	1,360,268	55,079	1,360,268	55,079
Total Financial Assets			374,767	310,538	-	-	1,360,268	55,079	1,735,035	365,617
Financial Liabilities:										
Trade and sundry payables		-		-	1,373,895	878,602		-	1,373,895	878,602
Total Financial LIabilities				-	1,373,895	878,602		-	1,373,895	878,602

23. Operating Segments

Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of corporate identity as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Basis of Accounting for Purposes of Reporting by Operating Segments

(a) Accounting Policies Adopted

Unless stated below, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistence to those adopted in the annual financial statements of the Group.

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30%. The effect of taxable or deductible temporary difference is not included for internal reporting purposes.

An internally determined transfer price is set for all inter-entity sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate changes are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(b) Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(c) Segment Liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities include trade and other payables and certain direct borrowings.

(d) Unallocated Items

The following items of revenue, expense, assets and liabilities are note allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives
- net gains on disposal of available-for-sale investments
- impairment of assets and other non-recurring items of revenue or expense
- income tax expense
- deferred tax assets and liabilities
- current tax liabilities
- other financial liabilities
- intangible assets
- discontinuing operations
- retirement benefit obligations

23. Operating Segments (continued)

(e) Segment Performance

	Tyre & Plastics Processing		Airline Technology		Other Operations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$	$	$
Revenue								
Sales	1,345,675	179,014	-	-	-	-	1,345,675	179,014
Revenue – investment	893	1,266	-	-	-	12,277	893	13,543
Total segment revenue	1,346,568	180,280	-	-	-	12,277	1,346,568	192,557
(Loss)/profit for the year	(3,953,289)	231,926	-	-	-	(145,906)	(3,953,289)	86,020

(f) Segment Assets

	Tyre & Plastics Processing 2012 $	Tyre & Plastics Processing 2011 $	Airline Technology 2012 $	Airline Technology 2011 $	Other Operations 2012 $	Other Operations 2011 $	Total 2012 $	Total 2011 $
Segment assets	22,347,311	9,190,418	-	3,802,204	-	11,892,256	22,347,311	21,001,674
Capital expenditure	3,257,054	2,012,092	-	216,876	-	-	3,257,054	2,012,092

(g) Segment Liabilities

	Tyre & Plastics Processing 2012 $	Tyre & Plastics Processing 2011 $	Airline Technology 2012 $	Airline Technology 2011 $	Other Operations 2012 $	Other Operations 2011 $	Total 2012 $	Total 2011 $
Segment liabilities	5,196,239	2,538,945	-	3,902,004	-	1,649,383	5,196,239	2,538,945
Total segment liabilities	5,196,239	2,538,945	-	3,902,004	-	1,649,383	5,196,239	2,538,945

24. Earnings per Share

(a) Reconciliation of Earnings to Profit or Loss from Continuing Operations

	Consolidated 2012 $	Consolidated 2011 $
Loss/(profit) from continuing operations	(3,953,289)	86,020
Earnings used to calculate basic EPS from continuing operations	(3,953,289)	86,020
Earnings used in the calculations of dilutive EPS from continuing operations	(3,953,289)	86,020

(b) Reconciliation of Earnings to Profit or Loss from Discontinuing Operations

	2012 $	2011 $
Profit from discontinuing operations	-	2,685,109
Earnings used to calculate basic EPS from discontinuing operations	-	2,685,109

(c) Earnings used to Calculate Overall Earnings per Share

	2012 $	2011 $
Earnings used to calculate overall earnings per share	(3,953,289)	2,771,129

(d) Weighted Average Number of Ordinary Shares Outstanding during the Year used in Calculating Basic EPS

	Consolidated 2012 No.	Consolidated 2011 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	172,324,966	114,575,576
Weighted average number of dilutive options outstanding	20,408,000	10,350,000
Weighted average number of dilutive convertible notes on issue	10,100,000	6,000,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	202,832,966	130,925,576

25. Controlled Entities

(a) Controlled Entities

	Country of Incorporation	Percentage Owned (%)* 2012	Percentage Owned (%)* 2011
Parent Entity:			
Carbon Polymers Limited	Australia		100
Subsidiaries:			
Oakturn Pty Limited	Australia		100
Tyre Collections Pty Limited	Australia		100
Avon Plastics Pty Limited	Australia		100
Reclaim Holdings Pty Limited	Australia		100
Composite Polymers Pty Limited	Australia		100

*Percentage of voting power is in proportion to ownership.

25. Controlled Entities (continued)

(b) Disposal of Controlled Entities

On 10 October 2010, the parent company disposed of its 100% interest in Simultech Pte Limited. An operating profit of $2,680,112 after income tax was attributable to members of the parent company from the disposal. No remaining interest in the entity was held by any member of the Group.

The carrying amounts of the net assets at the date of disposal were:

	$
Receivables	2,018,193
Total current assets	2,018,193
Trade payables	4,698,305
Total current liabilities	4,698,305
Net assets	(2,680,112)
Net profit/(loss) on disposal	2,680,112

26. Related Party Transactions

Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 27: Interests of Key Management Personnel (KMP) and the remuneration report in the Directors' Report.

Other transactions with KMP and their related entities are shown below:

Amounts Paid to Related Parties

Transactions between related parties are on normal commercial terns and conditions no more favourable than those available to other parties unless other wise stated.

The following transactions occurred with related parties:

	Consolidated	
	2012 $	2011 $
Consulting fees paid to AD Howard	125,177	-
Secretarial and accounting fees paid to DFK Laurence Varnay, a firm in which Mr C. A. Grady is a partner	-	15,000
Consulting fees paid to a private company, which is controlled by Mr J. Gordon	300,147	472,865

27. Interests of Key Management Personnel

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

28. Events after the End of the Reporting Period

No matters or circumstances have arisen since the end of the of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

29. Parent Company Disclosures

	Consolidated	
	2012 $	2011 $
Results		
Profit	-	2,534,206
Financial Position		
Current assets	770,027	301,070
Total assets	22,347,311	18,216,563
Current liabilities	1,384,238	116,904
Total liabilities	5,196,239	1,766,904
Equity		
Issued capital	34,531,660	31,890,028
Reserves	411,320	411,320
Retained earnings	15,851,689	15,851,689

30. Net Results for the Financial Year

The net loss of the economic entity was $3,953,289. The extent to which each corporation in the economic entity contributed to that loss is as follows:

	Consolidated	
	2012 $	2011 $
Carbon Polymers Limited	-	2,534,206
Tyre Collections Pty Limited	-	-
Osleach Developments Pty Limited	-	-
NLB Commodities Pty Limited	-	-
Oakturn Pty Limited	(3,953,289)	2,118,316
Reclaim Holdings Pty Limited	-	-
Total	(3,953,289)	4,652,522

Directors' Declaration

The Directors of the company declare that:

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

   (a) comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view

3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ______________________________

Dated ______________________________

Carbon Polymers Limited
ABN 42 000 764 572

Independent Auditor's Report
To the Members of Carbon Polymers Limited

Report on the Financial Report

We have audited the accompanying financial report of Carbon Polymers Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

Director's Responsibility for the Financial Report

The Directors and Management are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as directors and management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Carbon Polymers Limited acquired plant and equipment and stock of processed material from the recycling of tyres in New South Wales, South Australia and Western Australia from the administrators of Reclaim Industries Limited for a total price of $____________. The plant and equipment was subsequently revalued from cost of $_____________ to $______________ and the stock, acquired at no cost, following reprocessing, was brought to account at $________________. We were unable to obtain sufficient appropriate evidence about the carrying amount of these assets at 30 June 2012 for the following reasons:

(a) No stock take audit was conducted of the acquired stock as it had been recorded as sold and we were not aware of its existence.

(b) Carbon Polymers Limited has not yet established a costing system to enable the input cost of reprocessing the stock of $____________ to be reliably measured. This is demonstrated by the presentation of "Raw materials and consumables used $_______________" disclosed in the Consolidated Statement of Comprehensive Income as a net income figure after crediting the entire cost of reprocessing the stock, $______________, against raw material cost instead of against the cost accounts which bore the costs of reprocessing the stock. These reprocessing costs could not be identified in the records or the financial statements and the cost of inventories was considered to be materially overstated.

(c) The valuation of the plant equipment was received on __________ 2012 and could not be appropriately reviewed and did not appear to be prepared by a licensed valuer.

Carbon Polymers Limited had developed its own tyre processing plant and announced that it commended operations in January 2011. Costs of $468,000 were capitalised as development costs during the period January, February and March 2011 on the grounds that the plant did not commence production until April 2011. These costs included insurance and other overhead costs. We were unable to obtain sufficient evidence that the capitalisation of these costs was appropriate and the costs related directly to the development of the asset.

We, accordingly, express no opinion on the carrying values of the following assets:

Property, plant and equipment	$5,738,581
Inventories	$579,183
Development costs included in Intangibles	$2,267,037

And, as a consequence, we can express no opinion on the Profit from continuing operations of $86,020 and particularly as the Consolidated Statement of Comprehensive Income does not include an interest cost of $63,000 that should have been accrued on convertible notes which is material to the disclosed profit.

Inherent Uncertainty Regarding Recoverability of Intangible Assets

Included in non-current assets at Note 11 to the Consolidated Statement of Financial Position is Intangible at book value of $___________. The ultimate recovery of the value of this asset is dependent upon the success of the group's future operations. Our opinion is not modified in respect of this matter.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report presents fairly, in all material respects, the financial position of Carbon Polymers Limited as at 30 June 2012, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the Corporations Act 2011.

Report on the Remuneration Report

We have audited the Remuneration Report in pages ___ to ___ of the report of the directors for the year ended 30 June 2012. the directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s300A 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.

Auditor's Opinion

In our opinion the Remuneration Report of Carbon Polymers Limited for the year ended 30 June 2012, complies with s300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney;

Carbon Polymers Limited
ABN 42 000 764 572

Additional Information for Listed Public Companies

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

(a) Distribution of Shareholders Category (size of holding)

	Number	Number of Shares
1-1,000	356	222,295
1,001-5,000	388	909,606
5,001-10,000	91	717,882
10,001-100,000	178	6,910,285
100,001-and over	83	105,815,508
	1,096	114,575,576

(b) The number of shareholdings held in less than marketable parcel is 548.

Shareholder

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares – each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Shares Held	% Held of Issued Ordinary Capital
Moveforward Pty Limited	14,499,808	12.66
Reefgully Pty Limited	11,789,791	10.29
Riati Pty Limited (Super Fund a/c)	10,337,500	9.02
Fekila Pty Limited (Wong Family Trust)	9,000,000	7.86
Gordon Reef Pty Limited	7,100,000	6.20
Central Pathology Services Pty Limited (Super Fund a/c)	5,000,000	4.36
UBS Nominees Pty Limited	5,000,000	4.36
National Nominees Pty Limited	4,766,835	4.16
Central Pathology Services Pty Limited	4,398,389	3.84
UBS Wealth Management Australia Nominees Pty Limited	2,400,578	2.10
AJIT Nominees Pty Limited	2,000,000	1.75
Tropher Installations Pty Limited	2,000,000	1.75
Tristate Capital Pty Limited	2,000,000	1.75
ABN Amro Cleaning Sydney Nominees Pty Limited (Custodian)	1,630,700	1.42
Mr E Wong	1,582,353	1.38
Custodial Services Limited (Beneficiaries Holding a/c)	1,326,500	1.16
Mr P DePrima & Mrs N DePrima (Super Fund a/c)	1,304,251	1.14
Mr J Gordon & Ms I Harris (The Gordon Super Fund)	1,300,000	1.13
Mr P Merhi & Mrs R Merhi (Himer Super Fund a/c)	1,000,000	0.87
Himer Holdings Pty Limited (Rosette a/c)	1,000,000	0.87
	89,436,705	78.07

Additional Information for Listed Public Companies

2. The name of the company secretary is Mr P Merhi.

3. The address of the principal registered office in Australia is Level 7, 131 York Street, Sydney NSW 2000. Telephone (02) 9264 5400.

4. Registers of securities are held at the following addresses:
   Computershare Registry Services Pty Limited   Level 3, 60 Carrington Street, Sydney NSW 1115

5. Stock Exchange Listing
   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

6. Unquoted Securities
   Options over Unissued Shares
   A total of 10,350,000 are on issue.