

Companies Announcement Office
ASX Limited
Level 6, 20 Bridge Street
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September quarter 2021 - COMPANY UPDATE

CFOAM Limited, CFOAM Corp (74.34% owned by CFOAM Limited, 25.66% owned by CONSOL Energy Inc) and its operating entity CFOAM LLC, Triadelphia, West Virginia, (**CFOAM**) wish to provide the following update for quarterly period ended 30 September 2021.

SUMMARY OF Q1 2021-2022 ACTIVITIES

- Strategic Initiatives – CFOAM and Department of Energy (**DOE**) funded project continues with key equipment installation work continuing
- Quarterly Cash Flow and Cash Position
- A\$2.24m placement tranche 2 settled in July 2021
- Sales Activity and Pipeline
- Trade shows – CFOAM displayed at Ceramics Expo in Cleveland, Ohio (Sep 2021), attended CAMX in Dallas, Texas (Oct 2021) and will be showcased by the West Virginia Development Office in Stuttgart, Germany (Nov 2021)
- Operational Platform update
- Paycheck Protection Program (**PPP**) Round 2 business support loan of US\$333,800 fully forgiven
- Innovaero investment in convertible note of A\$0.975m made in July 2021

STRATEGIC INITIATIVES

- The DOE awarded the CFOAM proposal for “Continuous Processing of Carbon Foam Products Made from Coal at Atmospheric Pressure” (**CFOAM Project**) for a total project value of **US\$2,421,802**
- The CFOAM Project commenced on 1 January 2021 with US\$139,000 contribution by DOE in the current quarter
- 68’ long belt continuous kiln installed and set in place at Triadelphia facility
- Utility upgrade works - connection to the electrical grid was completed
- Gas fired-incinerator/thermal oxidiser - further work is required to complete the installation of the associated equipment with a target completion date for this work being in the December quarter - gas train, control panel and blower piping installed
- Final commissioning planned for the December quarter
- The CFOAM Project will target applications capable of utilising carbon foam at large scale, **transforming coal to carbon products**, with the potential for significant cost

savings and consequently the ability to penetrate more competitive applications where volume and cost are paramount (e.g. building applications).

- **CFOAM® carbon products present the potential for a low-emission, fireproof, mould resistant, low-cost, and sustainable material for use in building construction.**



DOE Project:

CFOAM PROJECT OBJECTIVES – COAL TO CARBON PRODUCTS

The objective is to create a continuous manufacturing process for carbon foam that operates at atmospheric pressure and can generate well-formed carbon foam panels and lightweight aggregates.

A successful outcome would:

- 1) significantly reduce the cost to manufacture carbon foam through reductions in capital and labour costs,
- 2) significantly reduce the cycle time to manufacture carbon foam from weeks to hours, and
- 3) enable the manufacture of much larger volumes of carbon foam.

All of these features will enable carbon foam to enter much larger markets and create meaningful demand for U.S. coal.

QUARTERLY CASH FLOW AND CASH POSITION

- CFOAM group cash @ 30 September 2021: US\$1,138,000
- Sales receipts for the quarter: US\$112,000 in sales
- DOE grant funds received for the quarter: US\$139,000
- CFOAM products sold to 20 different organisations
- Operational costs continue to be maintained

SALES ACTIVITY AND PIPELINE

Sales revenue for the quarter of US\$112,000 which was down from last quarter of US\$198,000 but remains significantly COVID-impacted. Continued COVID-19 infections and stringent on-site mobility restrictions has meant that limited or no on-site sales visits by our salesforce have been possible. Additionally, customer operations have been significantly curtailed and projects have slowed. The Board is optimistic that sales can increase once some normality is resumed, albeit downstream visibility is limited.

The business sold product to 20 different organisations over the quarter, both in the USA and overseas. This was 3 more than the 17 different organisations sold to in the prior quarter with many orders being repeat business. Companies continue to test and validate the product across various industries, including building materials, fire doors, autos and various aviation applications.

OPERATIONAL PLATFORM UPDATE

- Production: 11 autoclave runs and 1,388 production quality panels were unloaded.
- Inventory: The total WIP and finished inventory reduced during the period.
- Maintenance: the preventative maintenance work continues on the operating plant and equipment with the relining of the autoclave which commenced in June 2021 being completed in mid-August 2021 resulting in no production for this period.
- Diversified revenue streams have continued with Parr runs, Pulverized Coal and Aggregate being sold.

PPP BUSINESS SUPPORT RECEIVED

CFOAM advises that the request for forgiveness for the Paycheck Protection Program (PPP) Round 2 (US\$333,800) was reviewed and approval provided during the quarter.

The Paycheck Protection Program was a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

SBA (U.S. Small Business Administration) provided forgiveness to the loan, as the proceeds were used in accordance with the CARES Act, which primarily required that the proceeds were used for

payroll, rent, mortgage interest or utilities. No collateral or personal guarantees was required. Neither the government nor lenders charged small businesses any fees.

INNOVAERO

As announced, CFOAM owns a 10.24% equity investment in Innovaero Technologies Pty Ltd (**Innovaero**) and as part of an Innovaero \$6m convertible note raise, invested A\$1 million during the June quarter and in July 2021 CFOAM invested a further amount of A\$975,000.

This investment has maintained and increased CFOAM's interest in Innovaero on the basis that it will be converted to equity. The conversion is subject to 30% discount to an IPO valuation. CFOAM's current interest will increase from 10.24% to up to 17%, subject to the valuation conversion. CFOAM has no Board or management role in Innovaero and is an investor.

Innovaero is rapidly developing solutions for the Australian Defence market and the Australian Government is set to invest AUD\$270bn in Australian Defence Force (ADF) capability and infrastructure over the next ten (10) years as part of the *2020 Defence Strategic Update and Force Structure Plan* (the Plan), which is a key target market for Innovaero.

The Australian government has mandated that all Defence tenders, where possible, must include Australian Sovereign content and we believe Innovaero is well placed with its domicile and unique skill set to address this demand.

This supports CFOAM's strategy of further increasing its stake in this exciting West Australian business that is tackling a significant market both here in Australia and more importantly abroad.

Note 6 to Appendix 4C – Listing Rule 4.7C.3

Payments to related parties of the entity and their associates: The Group paid US\$32,000 for non-executive director fees.

CONCLUSION

CFOAM continues its work on the DOE grant and is excited about this development opportunity.

Whilst COVID-19 disruption has impacted the timelines for decisions and slowed down the pipeline of opportunities, the Company remains optimistic that some of these opportunities will lead to recurring revenue and new applications for the CFOAM products.

This ASX release has been approved for release by Gary Steinepreis on behalf of the Board of Directors

For further details, please contact:

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Director

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About CFOAM Limited

CFOAM® products are an inorganic carbon material that is manufactured from coal, pitch or lignin feedstock. CFOAM® products manufactured in this process have a rigid foam structure, similar in appearance to pumice stone, but with entirely different properties. CFOAM® products are currently used across a wide variety of markets including composite tooling for the aerospace sector, energy absorbing applications and defence applications. Additional markets such as automotive applications for energy absorption and fire resistance are also expected to become significant to the Company over time.

CFOAM® products were developed to meet the growing demand for ultra-high-end performance engineering materials in the industrial, aerospace, military and commercial product markets.

Important Notice

Some of the statements appearing in this announcement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which CFO operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward-looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside CFO's control.

CFO does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of CFO, its directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward looking statement. The forward-looking statements in this announcement reflect views held only as at the date of this announcement.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

CFOAM Limited

ABN

46 611 576 777

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	112	112
1.2 Payments for		
(a) research and development	(10)	(10)
(b) product manufacturing and operating costs	(293)	(293)
(c) advertising and marketing	(1)	(1)
(d) leased assets	(85)	(85)
(e) staff costs	(221)	(221)
(f) administration and corporate costs	(240)	(240)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(21)	(21)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	139	139
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(620)	(620)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(122)	(122)
(d) investments	(717)	(717)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(839)	(839)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,499	1,499
3.2	Funds held in trust	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(61)	(61)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(49)	(49)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Proceeds from investment by CONSOL	157	157
3.10	Net cash from / (used in) financing activities	1,546	1,546

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,101	1,101
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(620)	(620)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(839)	(839)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,546	1,546

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(50)	(50)
4.6	Cash and cash equivalents at end of period	1,138	1,138

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,138	1,101
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,138	1,101

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$US'000
32
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Remuneration paid for 3 months

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	2,900	2,471
7.2 Convertible notes	-	-
7.3 Promissory notes	1,118	1,118
7.4 Total financing facilities	4,018	3,589

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Loans payable:

	Balance at 30 September 2021 US\$	Total Facility US\$	Interest rate
Secured loan - West Virginia Economic Development Authority (WVEDA)	927,231	1,200,000	3.46%
Secured loan – Summit Community Bank	402,800	600,000	6.49%
Secured loan - CONSOL Energy Inc	1,140,731	1,100,000	2.00%
	2,470,762	2,900,000	

The loans payable are secured over the 2016 Assets not claimed by the promissory notes security and secured over the Phase 1 and other assets.

PPP Round 2 in the amount of US\$333,800 was forgiven in the September 2021 quarter.

7.3 Promissory Notes – secured:

Promissory notes issued are as follows:

- (i) Original US\$800,000 promissory note with an interest rate of 5% per annum, and which is secured by a first lien security interest over the all of the assets of the business of CFOAM LLC acquired under the Asset Purchase Agreement in 2016 (2016 Assets). The promissory note was restructured during the December 2019 quarter and interest is only payable on a monthly basis and principal on 30 June 2022. Balance at 30 September 2021 – US\$403,098
- (ii) Original balance was US\$4,000,000. The promissory note which will accrue interest at 2% per annum and be secured by a second lien security interest over the 2016 Assets. This promissory note was restructured during the December 2019 quarter and accrued interest and principal is due and payable on 31 December 2021. Balance at 30 September 2021 – US\$715,183

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(620)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,138
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,138
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.8

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

The figure provided in 8.5 does not reflect future operations where cashflows will increase as a result of the DOE grant and other work.

The entity expects to have additional revenues to support the business net operating cashflows from sales of CFOAM products.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

CFOAM operating entities will continue to review, apply and consider all funding options available to continue the business operations including debt and/or equity.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes – as referred to above.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2021

Authorised by: Gary Steinepreis – Director on behalf of the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.