

CFOAM Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: CFOAM Limited
ABN: 46 611 576 777
Reporting period: For the half-year ended 31 December 2017

2. Results for announcement to the market

	31 Dec 2017 US\$	31 Dec 2016 US\$	Movement US\$	%
Revenues from ordinary activities	558,060	529,616	28,444	5.4% ↑
Loss from ordinary activities after tax attributable to the owners of CFOAM Limited	(1,979,598)	(719,879)	(1,259,719)	
Loss for the half-year attributable to the owners of CFOAM Limited	(1,852,980)	(765,199)	(1,087,781)	

Comments

The results include a significant one-off transaction of US\$402,802 for inventory write-down.

Dividends

There were no dividends declared or paid in the period.

3. Net tangible assets

	31 Dec 2017	31 Dec 2016
Net tangible assets per ordinary security	<u>2.8 cents</u>	<u>2.5 cents</u>

4. Control or Loss gained over entities

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

5. Joint ventures

The Group is not involved in any joint ventures.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

7. Attachments

Details of attachments (if any):

The Interim Report of CFOAM Limited for the half-year ended 31 December 2017 is attached.

8. Signed



Gary Steinepreis
Director
Perth

Date: 28 February 2018



CFOAM Limited

ABN 46 611 576 777

Interim Report - 31 December 2017

**CFOAM Limited
Directors' report
31 December 2017**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of CFOAM Limited (referred to hereafter as the 'company' or 'parent entity') and the entity it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were directors of CFOAM Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Gary Steinepreis
Toby Chandler
Todd Hoare
Alain Bouruet-Aubertot – appointed 7 July 2017
Michael Placha – resigned 7 July 2017

Principal activities

The principal activity of the Group is the commercialisation of the CFOAM business. CFOAM products are inorganic carbon materials that are manufactured from coal, pitch or lignin feedstock. CFOAM manufactured in this process has a rigid foam structure similar in appearance to pumice stone, but with entirely different properties. CFOAM 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 the 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.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to US\$1,979,598 (2016: loss US\$719,879). The results include a significant one-off transaction of US\$402,802 for inventory write-down.

Events after the reporting period

Subsequent to the end of the reporting period the Group entered into a non-dilutive funding package details as follows: According to the terms, the Summit financing package is composed of two loans. First, a US\$600,000 secured bridge loan at a rate of 4.99% per annum that is to be disbursed during the implementation of the Phase 1 project and is to be repaid upon closing of the US\$1,200,000 loan from WVEDA. The WVEDA loan will be disbursed upon completion of the capital project. Second, is a US\$600,000 secured loan at 6.49% per annum that will complement the bridge loan amount and loan amounts to be granted by WVJIT and WVEDA. Overall, the loans from Summit will enable CFOAM to cover all the capital expenditures for its Phase 1 capital program, including the capital outlays that have already begun. In addition, the Company closed on the secured loans for a total of \$1,000,000 at 10% per annum being \$600,000 bridge loan and \$400,000 loan that had already been approved by WVJIT.

Other than the non-dilutive funding detailed above, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Gary Steinepreis
Director

Perth
28 February 2018

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

As lead auditor for the review of CFOAM Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2018

CFOAM Limited
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31 December 2017

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General information

The financial statements cover CFOAM Limited as a consolidated entity consisting of CFOAM Limited and the entity it controlled at the end of, or during, the half-year. The financial statements are presented in United States dollars, which is CFOAM Limited's presentation currency.

CFOAM Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 1
33 Ord Street
West Perth WA 6005

Principal place of business

1142 Middle Creek Road
Triadelphia WV 26059
USA

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2018.

CFOAM Limited
Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 US\$	31 Dec 2016 US\$
Revenue			
Revenue from operations		558,060	529,616
Other income		2,177	1,654
		<u>560,237</u>	<u>531,270</u>
Expenses			
Raw materials and consumables used		(489,729)	(315,770)
Inventory write down		(402,802)	-
Legal fees		-	(139,054)
Accounting and audit fees		(18,361)	(35,145)
Australian securities exchange fees		(40,713)	(61,628)
Travel and associated costs		(112,018)	(42,360)
Other expenses		(152,530)	(60,806)
Professional services		(339,250)	(71,585)
Employee salaries, consulting and benefits expense		(340,395)	(243,494)
Repairs and maintenance		(718)	-
Share based payments expense	10	(41,662)	(59,342)
Depreciation and amortisation expense		(551,630)	(199,600)
Finance costs		(50,027)	(22,365)
		<u>(2,539,835)</u>	<u>(1,251,149)</u>
Loss before income tax expense from operations		(1,979,598)	(719,879)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,979,598)	(719,879)
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		126,618	(45,321)
Total comprehensive income (loss) for the half-year		(1,852,980)	(765,199)
Loss for the half-year is attributable to the owners of CFOAM Limited		(1,852,980)	(765,199)
Loss per share for loss attributable to the owners of CFOAM Limited			
Basic loss per share		(\$0.02)	(\$0.01)
Diluted loss per share		(\$0.02)	(\$0.01)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CFOAM Limited
Consolidated Statement of financial position
As at 31 December 2017

		Consolidated	
	Note	31 Dec 2017	30 Jun 2017
		US\$	US\$
Assets			
Current assets			
Cash and cash equivalents		2,589,588	2,181,239
Trade and other receivables		494,996	125,422
Inventories		591,501	664,994
Total current assets		<u>3,676,085</u>	<u>2,971,655</u>
Non-current assets			
Property, plant and equipment	4	3,546,956	3,247,310
Intangibles	5	4,825,895	5,190,450
Total non-current assets		<u>8,372,851</u>	<u>8,437,760</u>
Total assets		<u>12,048,936</u>	<u>11,409,415</u>
Liabilities			
Current liabilities			
Trade and other payables		704,242	378,004
Borrowings-promissory note	6	1,060,000	2,060,000
Total current liabilities		<u>1,764,242</u>	<u>2,438,004</u>
Non-current liabilities			
Borrowings-promissory note	7	2,436,435	2,493,401
Total non-current liabilities		<u>2,436,435</u>	<u>2,493,401</u>
Total liabilities		<u>4,200,677</u>	<u>4,931,405</u>
Net assets		<u>7,848,259</u>	<u>6,478,010</u>
Equity			
Issued capital	8	11,702,962	8,453,426
Reserves	9	51,307	(49,004)
Accumulated losses		<u>(3,906,010)</u>	<u>(1,926,412)</u>
Total equity		<u>7,848,259</u>	<u>6,478,010</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

CFOAM Limited
Consolidated Statement of changes in equity
For the half-year ended 31 December 2017

Consolidated	Issued capital US\$	Reserves US\$	Accumulated losses US\$	Total equity US\$
Balance at 1 July 2017	8,453,426	(49,004)	(1,926,412)	6,478,010
Loss after income tax expense for the half-year	-	-	(1,979,598)	(1,979,598)
Other comprehensive income for the half-year, net of tax	-	126,618	-	126,618
Total comprehensive income for the half-year	-	126,618	(1,979,598)	(1,852,980)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	3,476,553	-	-	3,476,553
Costs of contributions of equity	(211,662)	-	-	(211,662)
Share-based payments	(15,355)	(26,307)	-	(41,662)
Balance at 31 December 2017	<u>11,702,962</u>	<u>51,307</u>	<u>(3,906,010)</u>	<u>7,848,259</u>

Consolidated	Issued capital US\$	Reserves US\$	Accumulated losses US\$	Total equity US\$
Balance at 1 July 2016	663,170	-	(231,081)	432,089
Loss after income tax expense for the half-year	-	-	(719,879)	(719,879)
Other comprehensive income for the half-year, net of tax	-	(45,321)	-	(45,321)
Total comprehensive income for the half-year	-	(45,321)	(719,879)	(765,199)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	8,551,531	-	-	8,551,531
Costs of contributions of equity	(761,275)	-	-	(761,275)
Share-based payments	-	59,342	-	59,342
Balance at 31 December 2016	<u>8,453,426</u>	<u>14,021</u>	<u>(950,959)</u>	<u>7,516,488</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CFOAM Limited
Consolidated Statement of cash flows
For the half-year ended 31 December 2017

	Consolidated	
	31 Dec 2017	31 Dec 2016
	US\$	US\$
Cash flows from operating activities		
Receipts from customers (inclusive of sales and other taxes)	343,865	511,022
Payments to suppliers and employees (inclusive of sales and other taxes)	(1,578,161)	(1,424,234)
Interest received	2,177	1,654
Interest and other finance costs paid	(50,027)	(22,365)
	<hr/>	<hr/>
Net cash used in operating activities	<u>(1,282,146)</u>	<u>(933,923)</u>
Cash flows from investing activities		
Payment for purchase of assets of Touchstone Research Laboratory, Ltd	-	(2,000,000)
Payments for property, plant and equipment	(486,720)	(588,341)
Payment of deferred consideration to Touchstone Research Laboratory, Ltd	(1,056,966)	-
	<hr/>	<hr/>
Net cash used in investing activities	<u>(1,543,686)</u>	<u>(2,588,341)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	3,445,843	6,873,300
Costs of the offer	(211,662)	(292,781)
	<hr/>	<hr/>
Net cash provided by financing activities	<u>3,234,181</u>	<u>6,580,519</u>
Net increase in cash and cash equivalents	408,349	3,058,255
Cash and cash equivalents at the beginning of the financial half-year	2,181,239	365,840
Effects of exchange rate changes on cash and cash equivalents	-	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	<u>2,589,588</u>	<u>3,424,095</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

Significant accounting judgements and estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Share based payments

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

Intangibles

The development asset being the CFOAM product was acquired as part of the asset acquisition (note 5). The intangible is subsequently amortised on a straight line basis over its estimated useful life. The group estimates the useful life of the asset to be 15 years. The actual useful life may be shorter or longer than 15 years, depending on the technical innovations and competitor actions.

Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit and Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2017 applied by the Group. The 30 June 2017 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date.

CFOAM Limited
Notes to the financial statements
31 December 2017

Note 2: Going concern

For the half year ended 31 December 2017 the Group recorded a loss from continuing operations after income tax of US\$1,979,598 (2016: loss US\$719,879) and had net cash outflows from operating activities of US\$1,282,146 (2016: US\$933,923).

The ability of the entity to continue as a going concern is dependent on securing additional funding through raising of debt or equity to continue to fund the development activities and expansion of its business platform. The Group has one major customer that contributed more than 75% of sales revenue for the reporting period.

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

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

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

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

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

Geographical information

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

CFOAM Limited
Notes to the financial statements
31 December 2017

Note 4. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2017	30 Jun 2017
	US\$	US\$
Assets in course of construction	752,794	266,074
Plant and equipment - at cost	2,961,064	2,961,064
Less: Accumulated depreciation	(306,892)	(148,000)
	<u>2,654,172</u>	<u>2,813,064</u>
Manufacturing use assets - at cost	205,751	205,751
Less: Accumulated depreciation	(65,761)	(37,579)
	<u>139,990</u>	<u>168,172</u>
Total property, plant and equipment - at cost	3,919,609	3,432,889
Less: Accumulated depreciation	(372,653)	(185,579)
	<u><u>3,546,956</u></u>	<u><u>3,247,310</u></u>

Reconciliations

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

Consolidated	Assets in course of construction US\$	Plant and equipment US\$	Manufacturing use US\$	Total US\$
Balance at 1 July 2017	266,074	2,813,064	168,172	3,247,310
Additions	486,720	-	-	486,720
Disposals	-	-	-	-
Depreciation expense	-	(158,892)	(28,182)	(187,074)
Balance at 31 December 2017	<u><u>752,794</u></u>	<u><u>2,654,172</u></u>	<u><u>139,990</u></u>	<u><u>3,546,956</u></u>

CFOAM Limited
Notes to the financial statements
31 December 2017

Note 5. Non-current assets – intangibles

	Consolidated	
	31 Dec 2017	30 Jun 2017
	US\$	US\$
Customer contract - at cost	570,371	570,371
Less: Accumulated amortisation	<u>(570,371)</u>	<u>(380,248)</u>
	<u>-</u>	<u>190,123</u>
Development asset - at cost	5,232,900	5,232,900
Less: Accumulated amortisation	<u>(407,005)</u>	<u>(232,573)</u>
	<u>4,825,895</u>	<u>5,000,327</u>
Total Intangibles - at cost	5,803,271	5,803,271
Less: Accumulated amortisation	<u>(977,376)</u>	<u>(612,821)</u>
	<u>4,825,895</u>	<u>5,190,450</u>

Reconciliations

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

Consolidated	Development Asset US\$	Customer Contract US\$	Total Intangibles US\$
Balance at 1 July 2017	5,000,327	190,123	5,190,450
Amortisation expense	<u>(174,432)</u>	<u>(190,123)</u>	<u>(364,555)</u>
Balance at 31 December 2017	<u>4,825,895</u>	<u>-</u>	<u>4,825,895</u>

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

Note 6. Current liabilities - borrowings

	Consolidated	
	31 Dec 2017	30 Jun 2017
	US\$	US\$
Promissory notes – secured	<u>1,060,000</u>	<u>2,060,000</u>
	<u>1,060,000</u>	<u>2,060,000</u>

Refer to note 7 for further information on assets pledged as security and financing arrangements.

CFOAM Limited
Notes to the financial statements
31 December 2017

Note 7. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2017	30 Jun 2017
	US\$	US\$
Promissory notes – secured	<u>2,436,435</u>	<u>2,493,401</u>
	<u><u>2,436,435</u></u>	<u><u>2,493,401</u></u>

Assets pledged as security:

On completion of the Asset Purchase Agreement promissory notes were issued as follows:

- (i) US\$800,000 promissory note with a term of 5 years and an interest rate of 3% per annum, and which is secured by a first lien security interest over the Assets. Payable monthly on a reducing principal basis.
- (ii) US\$2,800,000 promissory note which will accrue interest at 2% per annum and be secured by a second lien security interest over the Assets. This promissory note and any accrued interest is payable as follows:
 - (A) US\$900,000 plus all unpaid accrued interest is payable within 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$3,000,000; and
 - (B) US\$1,900,000 plus all unpaid accrued interest will be paid in full on within 30 days of post-Completion cumulative sales volume of CFOAM reaching US\$6,000,000

Note 8. Issued Capital

	Consolidated			
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	Shares	Shares	A\$	A\$
Ordinary shares - fully paid	<u>106,050,000</u>	<u>93,500,000</u>	<u>15,335,613</u>	<u>11,091,554</u>
			31 Dec 2017	30 Jun 2017
			US\$	US\$
Ordinary shares - fully paid	<u>106,050,000</u>	<u>93,500,000</u>	<u>11,702,962</u>	<u>8,453,426</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	US\$
Balance	1 July 2017	93,500,000		8,453,426
Issue of shares – placement	30 October 2017	12,500,000	US\$0.276	3,447,408
Issue of shares – employee incentive	30 October 2017	50,000	US\$0.276	13,790
Cost of the contribution of capital				<u>(211,662)</u>
Balance	31 December 2017	<u>106,050,000</u>		<u>11,702,962</u>

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

Note 9. Reserves

	Consolidated	
	31 Dec 2017	30 June 2017
	US\$	US\$
Share based payment reserve – performance rights	26,307	-
Foreign currency reserve	<u>25,000</u>	<u>(49,004)</u>
	<u>51,307</u>	<u>(49,004)</u>

Nature and Purpose of Reserves

(1) *Share based payment reserve –performance rights*

The share based payment reserve is used to recognise the fair value of performance rights issued to employees but not converted into ordinary shares. The reserve is recognised in contributed equity when and if the relevant milestone is attained within the specified period and as a result the performance rights concerned convert to ordinary shares.

(3) *Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to United States dollars.

Note 10. Share based payments

During the half year the Company issued various performance rights to directors, consultants and staff. The performance rights are a performance-based remuneration incentive which provides the opportunity for the participant to become a shareholder in the Company and deliver long-term shareholder returns.

Performance rights	Milestone	Number	Amount expensed US\$	Total fair value US\$	Share price at grant date US\$	Volatility
Employee Incentive plan	-	50,000	15,760	15,760	0.315	-
Employee incentive plan	E	150,000	6,631	47,276	0.315	-
Employee incentive plan	F	150,000	3,632	47,276	0.315	-
Approved by shareholders						
Performance Rights	A	825,000	1,184	69,761	0.257	20%
Performance Rights	B	825,000	248	14,586	0.257	20%
Performance Rights	C	500,000	65	3,844	0.257	20%
Performance Rights	D	500,000	33	1,922	0.257	20%
Performance Rights	E	166,666	3,237	42,920	0.257	-
Performance Rights	F	166,667	1,715	42,920	0.257	-
Performance Rights	G	166,667	1,165	42,920	0.257	-
Performance Rights	H	100,000	3,094	25,752	0.257	-
Performance Rights	I	120,000	1,935	24,722	0.257	-
Performance Rights	J	150,000	1,475	23,177	0.257	-
Performance Rights	K	180,000	859	18,541	0.257	-
Performance Rights	L	300,000	629	15,451	0.257	-
		4,350,000	41,662	436,828		

Fair value of performance rights granted

The fair value of the performance rights classes E to L and those issued under the employee incentive plan was based on the share price on the date of issue of these various classes of performance rights.

The fair value of the performance rights classes A to B were determined by an appropriate valuation model using:

- Volatility of 20% based on historical 30 day VWAP volatility
- Risk free rate of 2.13%
- Dividend yield of nil
- a 5 year term

Milestone:

- (i) **(Class A):** Class A Performance Rights shall vest and become exercisable on and from the date the Company's 30 day Volume Weighted Average Share Price (**VWAP**) on the ASX is equal or greater than \$0.60 from the date of issue;
- (ii) **(Class B):** Class B Performance Rights vest and become exercisable on and from the date the Company's 30 day VWAP on the ASX is equal or greater than \$0.90 from the date of issue;
- (iii) **(Class C):** Class C Performance Rights vest and become exercisable on and from the date the Company's 30 day VWAP on the ASX is equal or greater than \$1.05 from the date of issue;
- (iv) **(Class D):** Class D Performance Rights vest and become exercisable on and from the date the Company's 30 day VWAP on the ASX is equal or greater than \$1.20 from the date of issue;
- (v) **(Class E):** Class E Performance Rights vest and become exercisable on and from 15 January 2019;
- (vi) **(Class F):** Class F Performance Rights vest and become exercisable on and from 15 January 2020;
- (vii) **(Class G):** Class G Performance Rights vest and become exercisable on and from 15 January 2021;
- (viii) **(Class H):** Class H Performance Rights vest and become exercisable upon full commissioning of Phase 1 with start up on or before 15 August 2018 (Performance Rights are reduced by 20% per month of delay (pro-rata));
- (ix) **(Class I)** Class I Performance Rights will vest and become exercisable upon the Company achieving three concurrent monthly sales of 1,666cft pm – equating to 80% of monthly annual nameplate capacity potential of 2,083cft pm – on or before 31 December 2018 (Performance Rights are reduced by 33% per month of delay (pro-rata));
- (x) **(Class J)** Class J Performance Rights will vest and become exercisable upon full commissioning of Phase 2 with start up on or before 1 April 2019 ((Performance Rights are reduced by 20% per month of delay (pro-rata));
- (xi) **(Class K)** Class K Performance Rights will vest and become exercisable upon the Company achieving three concurrent monthly sales of 4,800cft pm – equating to 80% of monthly annual nameplate capacity potential of 6,000cft pm – on or before 30 September 2019 ((Performance Rights are reduced by 33% per month of delay (pro-rata));
- (xii) **(Class L)** Class L Performance Rights will vest and become exercisable upon the installation of additional autoclave and/or kiln capacity (as extension of Phase 2 – ON SITE) which lifts confirmed nameplate capacity to at least 100,000cft pa on or before 31 December 2019,

(each a **Vesting Condition**).

Lapse

If the Vesting Condition is not achieved by the required date or the Conversion Notice not given to the Company by the required date or the Holder is no longer an Eligible Participant, then the relevant Performance Right will automatically lapse.

Eligible Participant

- (i) a Director (whether executive or non-executive) of any Group Company;
- (ii) a full or part time employee of any Group Company;
- (iii) a casual employee or contractor of a Group Company;
- (iv) a prospective participant, being a person to whom an offer is made but who can only accept an offer if an arrangement has been entered into that will result in the person becoming an Eligible Participant under paragraphs (i), (ii) or (iii) above; or
- (v) a person who is declared by the Board to be eligible to receive grants of Performance Rights.

Note 11. Commitments

	Consolidated	
	31 Dec 2017	30 Jun 2017
	US\$	US\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,963,450	266,650
One to five years	270,746	288,871
More than five years	-	-
	<u>2,234,197</u>	<u>555,521</u>

Note 12. Related party transactions

Following shareholder approval at the Annual General Meeting, Alain Bouruet-Aubertot was issued with a total of 3,335,000 performance rights under milestones A to D and H to L and Todd Hoare was issued with 150,000 performance rights under milestones A and B.

Refer to Note 10.

Note 13. Events after the reporting period

Subsequent to the end of the reporting period the Group entered into a non-dilutive funding package details as follows: According to the terms, the Summit financing package is composed of two loans. First, a US\$600,000 secured bridge loan at a rate of 4.99% per annum that is to be disbursed during the implementation of the Phase 1 project and is to be repaid upon closing of the US\$1,200,000 loan from WVEDA. The WVEDA loan will be disbursed upon completion of the capital project. Second, is a US\$600,000 secured loan at 6.49% per annum that will complement the bridge loan amount and loan amounts to be granted by WVJIT and WVEDA. Overall, the loans from Summit will enable CFOAM to cover all the capital expenditures for its Phase 1 capital program, including the capital outlays that have already begun. In addition, the Company closed on the secured loans for a total of \$1,000,000 at 10% per annum being \$600,000 bridge loan and \$400,000 loan that had already been approved by WVJIT.

Other than the non-dilutive funding detailed above, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.


CFOAM Limited
Directors' declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'G Steinepreis', with a stylized flourish at the end.

Gary Steinepreis
Director

28 February 2018
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of CFOAM Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of CFOAM Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 28 February 2018