

ASX ANNOUNCEMENT

31 October 2018



Companies Announcement Office
ASX Limited
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Sydney NSW 2000

CFOAM Achieves Sales Growth & Production Capability Ramp-up in October Following the Company's Phase 1 Expansion

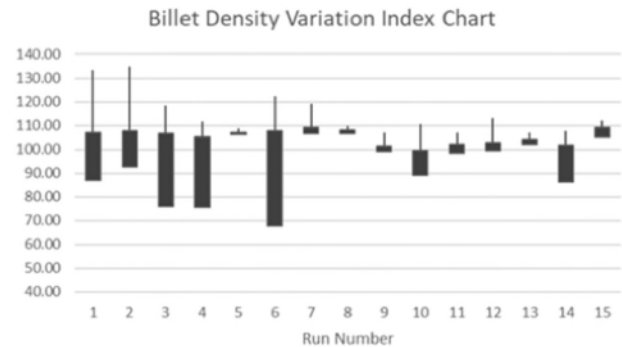
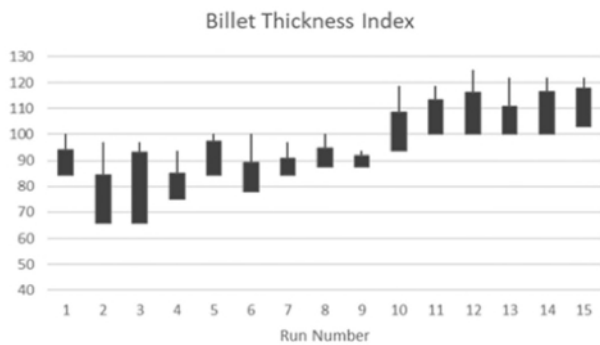
Triadelphia, WV, USA: CFOAM Limited (**CFO** or **the Company**), via its wholly owned subsidiary CFOAM, LLC, is pleased to report that operational and sales momentum over the latter part of the September quarter has continued into October, with month-to-date October Cash Receipts of ~US\$270k, 2.5x the US\$109k generated in the month of September. Based on the ~1,200 cubic feet forward order book for November and December, the Company is on track to achieve a new record of quarterly Cash Receipts in the December quarter. The current sales momentum and forward order book has the Company well positioned for significant growth.

A key driver of this increase in Cash Receipts is due to materially higher purchases from Touchstone Advanced Composites (**TAC**). The Company's past quality and reliability issues had impacted TAC's ability to tender for CFOAM®-based composite tooling contracts for most of 2018. However, due to the significant quality and production gains now being consistently achieved and the filling of the initial US Navy program's 600 cubic feet exhaust uptake purchase order, sales of CFOAM® products to Touchstone have increased significantly. Importantly, CFOAM® panels are again fully displacing other materials (incl. Invar® alloys and monolithic graphite) that TAC had been using over recent quarters.

Operationally, prior quality gains realized in September have been sustained, and enhanced, through October. The Company has been able to leverage greater technical understanding of required coal specifications to deliver improved billet thickness, strength, consistency and yields. Going forward, the continuous improvement program will focus on further narrowing down billet properties variability and increasing actual production capacity closer to nameplate capacity. A base-line level of production and quality has now been established, with our greater reliability of supply the key to increased penetration of CFOAM® products across customers and markets.

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Thickness and Density Distribution Charts of last 15 CFOAM® Panels production runs

Touchstone Research Laboratory's President, Brian Joseph, commented: "We are truly excited to now be able to fully rely on the supply consistency of higher-quality CFOAM® products. Evidence of this is the dramatic uplift in TAC's orders for CFOAM® materials – and I fully expect this trend to continue and intensify. The new product performance threshold achieved by CFO is an absolutely critical requirement in our very demanding composite tooling market – where TAC manufactured tools are instrumental in the production of critical parts that are used in the production of aircrafts. We are now fully confident that, with its increased capability and expanded capacity, CFO is not only strongly positioned to truly remain a critical component of TAC's business, but also to become a key material supplier to the global composite tooling industry."

While sales to Touchstone constitute a very valuable base load volume of business for CFO that is significant, and growing, the Company's focus is now firmly on broadening its sales penetration into its key target markets: composite tooling, transportation structures, construction materials and other applications, including defence. In this regard, we expect to continue to rapidly grow sales from customers other than Touchstone, which, during the September quarter, already constituted more than 40% of the ~US\$240k quarterly Cash Receipts. To facilitate this, the Company has enhanced its sales and marketing capabilities with the hiring of an experienced technical sales person and sales coverage in Europe.

A number of companies are currently in the testing and qualification phase and as progress is made through the validation process, we will update the market accordingly where it results in a material Purchase Order or penetration into a new market/application. The significant increase in activity from the Company's biggest tooling customer, TAC, provides confidence that the Company will experience renewed sales activity for CFOAM® products over the remainder of the December quarter – and well into 2019.

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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 the automotive applications for energy absorption and fire resistance are also expected 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.

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