



December Quarterly Report

HIGHLIGHTS

- December quarter **production** was 1,767 panels with strong production runs in October and December. Downtime in November was a result of equipment repairs and maintenance. The Company is pleased to report that since the end of November both production and quality has been consistently as good as it has ever been
- December quarter **cash receipts** were US\$451,000 with trade receivables of US\$48,000
- **Current cash position** as at 24 January 2018 is US\$1,680,000 after the receipt of convertible notes of US\$1,850,000 in January 2018. This cash position is net of the US\$450,000 + interest Promissory Note repayment to Touchstone Research Laboratory, Ltd on 15 January 2018
- **Quality** control is improving in terms of thickness, volume and density
- Further work is being done on **R&D** and process improvement strategies
- **Phase 2** – assessment of the various options continues including new sites and expansion on-site
- **Sales pipeline** work continues to develop leads and parties qualifying CFOAM® products
- A **Strategic Review** has commenced and professional legal and taxation advice is being sought to analyse and investigate the options of restructuring and changing the domicile of the total CFOAM business to the United States (**US**) including the merits of the Company's current ASX listing. Further work is required on the various options under consideration and no strategic decisions have been made at this juncture. The Board is motivated to reach a formal conclusion in the foreseeable future, in the interests of all shareholders, at which point such a proposal would be put to shareholders for consideration and approval.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

CFOAM LIMITED

ABN

46 611 576 777

Quarter ended ("current quarter")

31 December 2018

Reporting is in US\$ being the functional and presentational currency

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	451	694
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(348)	(575)
(c) advertising and marketing	(3)	(25)
(d) leased assets	(87)	(180)
(e) staff costs	(447)	(902)
(f) administration and corporate costs	(183)	(509)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(44)	(84)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(661)	(1,580)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(346)	(1,273)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(346)	(1,273)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	1,650	1,650
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	273
3.6 Repayment of borrowings	(42)	(88)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,608	1,835

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	237	1,879
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(661)	(1,580)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(346)	(1,273)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,608	1,835

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(3)	(26)
4.6	Cash and cash equivalents at end of quarter	835	835

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	835	237
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)	835	237

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US'000
39
-

This relates to the executive director. Non-executive directors have been accrued for the period 1 July-31 December 2018

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$US'000
-
-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	2,200	2,200
8.2 Credit standby arrangements	-	-
8.3 Promissory notes	3,150	3,150
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Assets pledged as security:

Under the Asset Purchase Agreement, as amended, promissory notes remaining issued are as follows:

- (i) Original 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. **Current balance at 31 December 2018 is US\$463,307.**
- (ii) US\$2,350,000 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\$450,000 plus all unpaid accrued interest is payable on or before 15 January 2019; and
 - (B) US\$1,900,000 plus all unpaid accrued interest will be paid in full on or before 15 December 2019.

Loan facility – Secured:

	Balance at 31 December 2018 US\$	Total Facility US\$	Interest rate
Secured bridge loan-Summit Community Bank	600,000	600,000	4.99%
Secured bridge loan – Summit Community Bank	600,000	600,000	6.49%
West Virginia Jobs Investment Trust (WVJIT)	1,000,000	1,000,000	10%
	<u>2,200,000</u>	<u>2,200,000</u>	

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	312
9.3 Advertising and marketing	14
9.4 Leased assets	98
9.5 Staff costs	489
9.6 Administration and corporate costs	215
9.7 Other-capital and promissory note repayment and interest	772
9.8 Total estimated cash outflows	1,900 **

** the above does not take into account expected cash receipts from sales in the quarter or convertible note receipts post-quarter of USD1,850,000 and other potential future capital/equity/debt receipts.

