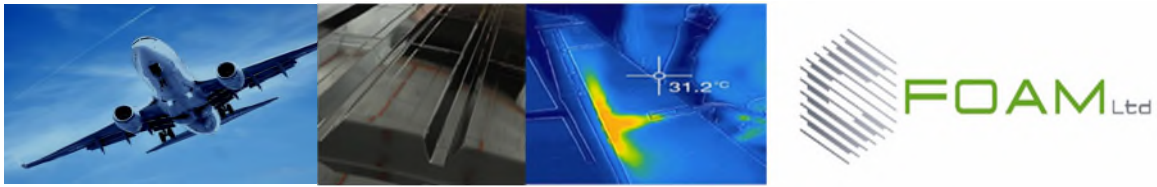


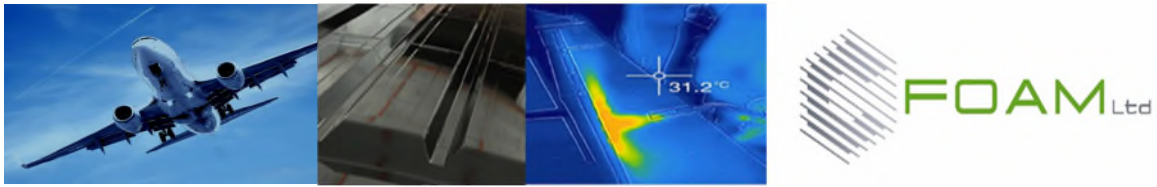
March 2019 Quarterly Report

HIGHLIGHTS

- March quarter **production** was **3,984 autoclave production panels**, further building the Company's inventory levels inventory of CFOAM® saleable billets. After further successful meetings, and programme progression, with a number of highly visible global OEMs during the quarter, it is vital that high inventory levels are maintained to satisfy the material uplift in expected current demand.
- March quarter **cash receipts** were \$US588,000 (**circa-\$A825,000**) - underpinned by the Company's largest present customer, Touchstone Advanced Composites (**TAC**) - submitting a purchase order (**PO**) for *1,800 cubic feet of CFOAM® foam billets*. The full delivery of CFOAM® billets to satisfy this entirety of this order is ahead of schedule, evidencing the significant increase in production scale achieved at the facility in recent months, post-installation of CFO's unique, custom-built Harrop Industries ~500 billet thermal kiln in early Q4-2018.
- Importantly, the Company will receive a further PO from TAC in Q2-2019 which will equate to an *additional 1,800 cubic feet of CFOAM® billets*. These orders, as well as expected orders from other key CFO customers, will materially underwrite the Company's total platform cost. **Current cash position** as at 31st March 2019 was \$US2,084,000 (**circa-\$A2,900,000**).
- During the March quarter, with production metrics fully on-track, the Company shifted its focus to strengthening the balance sheet, and paying down debt. In this regard, a further \$US3.764m of Convertible Notes were issued to non-Australian, existing major/sophisticated shareholders, along with a small \$A150,000 placement at \$A0.22 per share. These additional funds were raised specifically to provide for:
 - o An early repayment of a total \$US950,000 in the Promissory Note facility owed to Touchstone Research Laboratory, Ltd (**TRL**), marking a significant (over 50%) reduction in the total remaining outstanding debt that has been on balance sheet since the Company's IPO;



- The full repayment of \$US400,000 debt owing to the West Virginia Jobs Investment Trust (**WVJIT**) that formed part of the total funding for CFO's Q4 2019 kiln expansion;
- A further \$US500,000 Promissory Note commitment was also repaid to TRL on 15 April 2019.
- Although the above repayments have resulted in a large (fully approved) cash outflow during the quarter (representing a \$US1,850,000 in total debt repayment YTD), it underscores the demonstrable confidence the Company now has in the robustness and integrity of *both* the operational platform - and sales pipeline - in the coming months.
- Operationally, quality gains continue to be sustained and increasingly enhanced. The Company has been delivering improved billet thickness, strength, consistency, output yields and total production volume.
- The Company is consistently improving operational capabilities through continuous improvements in maintenance programs, spare parts availability, and process parameter optimization. **ISO9001-2015** and **TS 16949** quality certifications programs are on schedule, and statistical process controls are being implemented. Advancements in autoclave reliability through the installation of a more advanced cooling system is well underway, while kiln active cooling systems - expected to save 20% of the total process calcining time- is under investigation with an expected Q2-2019 decision.
- Broader R&D activities continue to be pursued, namely:
 - The Company has recently reduced the largest source of scrap in our total production process by making significant kiln profile adjustments, decreasing the scrap rate of this defect by over a factor of four.
 - Critical equipment for the Blairsville pulverization facility to materially improve the control of the ground-coal particle size distribution has been ordered, positively impacting the quality of the final production billets through a greater control of resultant pore size in the foam.
 - Bench-scale experiments continue around production of foam at lower pressures to reduce cost and cycle time, improved coating methods for tooling, enhancement of thermal conductivity, and modification of pore size.

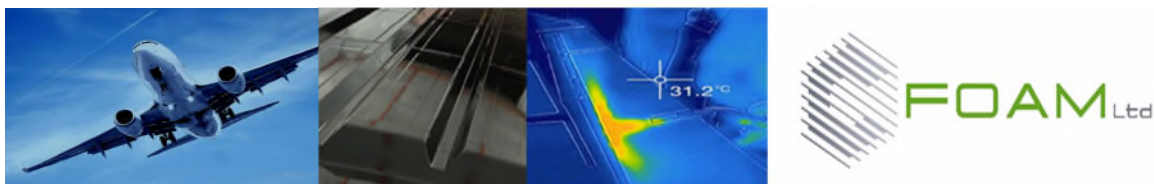


- **Next-Phase Expansion** – assessment of various options continues, centred on a material operational and platform expansion on-site. This has involved a highly collaborative effort with TRL/TAC that facilitates their own rapidly expanding demands - and consequently, CFO's ability to fulfil TAC's markedly increased forecast CFOAM® needs. Based on the strategically planned increased interaction with customers, as well as the visibility inherent in TAC's demand, the Company fully expects that

- a) any expansion will be materially higher than current output levels (potentially towards 100,000 cft per annum post-expansion platform capability), and
- b) at a dramatically lower capital cost than previously envisioned.

As the penetration with new and existing customers continues, the financial metrics of this expansion will become more compelling, and allow the Company to collaborate with customers on much larger projects than are presently possible.

- **The Sales Pipeline** continues to mature meaningfully, with greater interest levels, and importantly, more counterparties qualifying CFOAM® products for (primarily) structures and tooling applications.
- The Company again recently exhibited at the JEC Group conference in Paris. The JEC Group is the world's leading company dedicated entirely to the development of information and business connections, channels and platforms supporting the growth and promotion of the global composite materials industry. A number of major global OEMs continue to assess (and purchase) CFOAM® - from both a commercial and R&D perspective.
- The Company's ongoing continuous improvement program will remain focused on the narrowing of achievable specificity in production billet properties, eliminating any material variability and increasing actual production capacity to, and beyond, current nameplate capacity. A highly favorable base-line level of production and quality has now been established, and with this greater reliability of supply, the Company has the ability to significantly increase the penetration of CFOAM® products across key customers in multiple markets.



- The **Strategic Review** previously announced regarding the analysis and investigation of 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, is continuing. 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 - likely during Q2 2019 - in the interests of all shareholders, at which point any proposal would be put to shareholders for consideration and approval.

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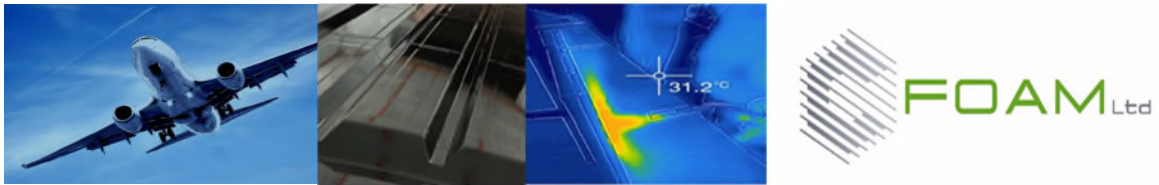
About CFOAM Limited

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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