

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")

30 June 2019

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

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17	1,299
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(344)	(1,335)
(c) advertising and marketing	-	(43)
(d) leased assets	(88)	(361)
(e) staff costs	(454)	(1,882)
(f) administration and corporate costs	(373)	(1,286)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(22)	(165)
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	(1,264)	(3,771)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(9)	(1,533)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 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	(9)	(1,533)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	107
3.2 Proceeds from issue of convertible notes	-	5,414
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(18)
3.5 Proceeds from borrowings	-	273
3.6 Repayment of borrowings	(569)	(2,081)
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	(569)	3,695

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	2,084	1,879
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,264)	(3,771)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9)	(1,533)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(569)	3,695

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(1)	(29)
4.6	Cash and cash equivalents at end of quarter	241	241

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	241	2,084
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)	241	2,084

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
5
-

There has been no remuneration paid to the non-executive Directors for the period. The remuneration has been accrued for the period 1 July 2018-30 June 2019 for non-executive directors.

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
-
-

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8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	1,800	1,800
8.2 Convertible notes	5,414	5,414
8.3 Promissory notes	1,283	1,283

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.

Convertible notes - unsecured:

The Company has issued US\$5,414,000 of convertible notes with a face value of USD\$1 each. The principal terms are as follows:

- a) Term: The Convertible Notes will be issued on the Subscription Date and shall be converted or otherwise redeemed within 36 months of issue (**Repayment Date**).
- b) Conversion price: Each Convertible Note will be convertible into Shares at a conversion price equal to A\$0.18 per Share to satisfy the Face Value of the Notes in USD at the election of the Subscriber as follows:
 - i. using the exchange rate set at the Subscription Date; or
 - ii. the exchange rate set at the date of the Prepayment Notice or the Conversion Notice, with the exchange rate to be not less than A\$1.00 = USD\$0.50.
- c) Interest:
 - i. Interest is payable on the Principal Amount from the Subscription Date until Repayment Date, unless the Convertible Notes are either redeemed or converted into Shares at a rate of 4% per annum (**Interest Rate**).
 - ii. Interest will be calculated monthly and payable six monthly in arrears (**Interest Payment Date**), accruing daily on the basis of a year of 365 days.
 - iii. Interest must be paid by the Company to the Subscriber no later than 10 Business Days after the relevant Interest Payment Date.
 - iv. The Subscriber may elect for the interest to be compounded on a six monthly basis. For the avoidance of doubt, if the Subscriber elects to compound the interest then this amount is added to the Principal Amount
- d) Conversion: After a fixed period of 12 months and at each 6 month period thereafter and prior to the Repayment Date, at the election of the Subscriber by written notice to the Company (**Conversion Notice**), the Convertible Notes may be converted in whole or in part into Shares at the Conversion Price (the **Conversion Shares**).
- e) Redemption: Where any Convertible Notes remain not converted or redeemed on the Repayment Date, the Convertible Notes will be redeemed for their Face Value (plus any unpaid interest) as at the Repayment Date (**Noteholding Balance**).

The convertible notes also contain standard terms for early redemption, non-subordination and actions in the event of default.

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 30 June 2019 is US\$383,509.**
- (ii) Original 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 was paid on or before 15 January 2019;
 - (B) US\$500,000 was paid on or before 28 February 2019;
 - (C) US\$500,000 was paid on or before 15 April 2019; and
 - (D) US\$900,000 plus all unpaid accrued interest will be paid in full on or before 15 December 2019.**Current balance at 30 June 2019 is US\$900,000.**

Loan facility – Secured:

	Balance at 30 June 2019 US\$	Total Facility US\$	Interest rate
Secured loan - West Virginia Economic Development Authority (WVEDA)	1,200,000	1,200,000	3.46%
Secured loan – Summit Community Bank	600,000	600,000	6.58%
	<u>1,800,000</u>	<u>1,800,000</u>	

