

Companies Announcement Office
ASX Limited
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UPDATE ON THE PROPOSED STRATEGIC US\$ TRANSACTION WITH NYSE-LISTED CONSOL ENERGY INC.

Proposed Corporate Transaction:

The Board of CFOAM Limited (ASX: CFO) is pleased to announce that it has progressed its negotiations with CONSOL Energy Inc. (CONSOL) for a new non-binding terms sheet for a strategic transaction. The current proposal is detailed below and contains a number of standard conditions precedent.

The conditions precedent include the standard board, regulatory, and shareholder approvals and any other consents (if required). There are also specific conditions precedent for CFO to contribute funding to operations (detailed below), consents of current third party lenders and promissory noteholders, consent of CFO Convertible noteholders to the transactions and amendments of the consent or approval or other rights of the CFO convertible noteholders, an agreed budget and an agreed shareholders agreement or such other similar agreements.

The agreed shareholders agreement (or such similar agreements) will set out the responsibilities and protections of all parties including CONSOL's right to two out of four board seat(s) at CFOAM Corp, preemptive rights and other non-dilution clauses, limitations on transfer of shares, a further funding clause for the benefit of CONSOL, the right to match any offer for the sale of equity or assets of CFOAM Corp and CFOAM LLC, a provision requiring the approval of a majority of the directors on CFOAM Corp's board for an increase or decrease in the size of CFOAM Corp's board, and other rights to be agreed upon including certain registration rights and certain approval or consent rights of CONSOL.

The parties have commenced working on the definitive agreements, and it is the intention of all parties to complete the settlement of all transactions by 6th December 2019 (USA time). The Company has requested a voluntary suspension of its securities until Monday, 9th December 2019.

The proposal is for CONSOL to make an overall investment commitment of US\$5 million to the CFOAM Group business (up from US\$2.5 million). CONSOL will also, as part of the investment, provide important strategic direction and corporate advice on the CFOAM LLC business.

This proposal has several parts and is summarised as follows:

- CONSOL to invest US\$3.5 million for a 25% direct-equity interest in CFOAM Corp, valuing the Company at US\$14 million, or circa-A\$21 million at the present AUD spot rate. CFOAM Corp has been incorporated as part of the previously announced restructure of the CFOAM Group, and will be a wholly owned subsidiary, on or before settlement.
- US\$3.25 million plus accrued interest of the direct-equity investment funds will be used to repay the CFO convertible note held by Drake Special Situations LLC (Drake) with the balance being used for working capital.
- CONSOL has also agreed to acquire the secured US\$400,000 promissory note in CFOAM LLC from Drake.
- CONSOL will provide a term loan of US\$1.1 million to directly support the operations of CFOAM LLC.
- In addition and as a condition precedent to the transaction, CFO is required to contribute US\$605,000 for CFOAM LLC operations. The capital commitment will not have a dilutionary effect on CONSOL's 25% interest in CFOAM Corp at settlement. CFO will be required to contribute these funds at settlement to CFOAM Corp. CFO needs to either raise further equity using its existing placement capacity or obtain short term funding to meet this commitment. CFO is currently reviewing all of its options to meet this condition precedent and is working with its existing major shareholders to propose various alternatives.
- The CFOAM Group will therefore have working capital funds and term loan of a total of approximately US\$1.85 million to fund on-going operations on an agreed budget basis.

About CONSOL Energy Inc.

CONSOL Energy Inc. (NYSE: CEIX) is a Canonsburg-based producer and exporter of high-Btu bituminous thermal and crossover metallurgical coal. It owns and operates some of the most productive longwall mining operations in the Northern Appalachian Basin. CONSOL's flagship operation is the Pennsylvania Mining Complex, which has the capacity to produce approximately 28.5 million tons of coal per year and is comprised of 3 large-scale underground mines: Bailey, Enlow Fork, and Harvey. The company also owns and operates the CONSOL Marine Terminal, which is located in the port of Baltimore and has a throughput capacity of approximately 15 million tons per year. In addition to the ~698 million reserve tons associated with the Pennsylvania Mining Complex, the company also controls approximately 1.6 billion tons of greenfield thermal and metallurgical coal reserves located in the major coal-producing basins of the eastern United States.

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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 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.

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