

**CFOAM LIMITED**  
**ACN 611 576 777**

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**PROSPECTUS**

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For the offer of up to 1,000 Shares in the capital of the Company at an issue price of \$0.08 per Share to raise up to \$80 (before expenses).

**This Prospectus has been prepared primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.**

**IMPORTANT NOTICE**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered under this Prospectus should be considered speculative.

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## TABLE OF CONTENTS

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1.	CORPORATE DIRECTORY.....	1
2.	TIMETABLE AND IMPORTANT NOTES .....	2
3.	DETAILS OF THE OFFER.....	5
4.	PURPOSE AND EFFECT OF THE OFFER.....	8
5.	RIGHTS AND LIABILITIES ATTACHING TO SHARES .....	10
6.	RISK FACTORS .....	13
7.	ADDITIONAL INFORMATION .....	20
8.	DIRECTORS' AUTHORISATION .....	27
9.	DEFINITIONS .....	28

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## 1. CORPORATE DIRECTORY

### Directors

Gary Steinepreis  
*Non-Executive Chairman*

Flemming Bjoernslev  
*Executive Director*

Brian Joseph  
*Non-Executive Director*

Todd Hoare  
*Non-Executive Director*

### Company Secretary

Gary Steinepreis

### Share Registry\*

Computershare Investor Services Pty Limited  
Level 11  
172 St Georges Terrace  
PERTH WA 6000

Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

### Registered Office

Level 1  
33 Ord Street  
WEST PERTH WA 6005

Telephone: + 61 8 9420 9300  
Facsimile: +61 8 9420 9399

Email: info@cfoam.com  
Website: www.cfoam.com

### ASX Code

CFO

### Lawyers

Steinepreis Paganin  
Lawyers and Consultants  
Level 4  
The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Auditors\*

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

\* These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.

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## 2. TIMETABLE AND IMPORTANT NOTES

### 2.1 Timetable

Action	Date
Lodgement of Prospectus with the ASIC and ASX	10 December 2019
Opening Date	10 December 2019
Closing Date*	5:00 pm WST on 31 December 2019

\* The Directors reserve the right to bring forward or extend the Closing Date at any time after the Opening Date without notice. As such, the date the Shares are expected to commence trading on ASX may vary with any change in the Closing Date.

### 2.2 Important Notes

This Prospectus is dated 10 December 2019 and was lodged with the ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Offer is only available to those who are personally invited to accept the Offer. Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

### 2.3 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at [www.cfoam.com](http://www.cfoam.com). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **2.4 Website**

No document or information included on our website is incorporated by reference into this Prospectus.

## **2.5 Risk Factors**

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

## **2.6 Overseas Investors**

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue in this Prospectus.

## **2.7 Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6 of this Prospectus.

## **2.8 Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

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### **3. DETAILS OF THE OFFER**

#### **3.1 Offer**

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 1,000 Shares at an issue price of \$0.08 per Share to raise up to \$80 (before expenses).

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

#### **3.2 Objective**

The Company is seeking to raise only a nominal amount of \$80 under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
  - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
  - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

#### **3.3 Application for Shares**

Applications for Shares must be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.08 per Share.

Completed Application Forms and accompanying cheques must be mailed or delivered to the Company as follows:

<b>Delivery by hand</b>	<b>Delivery by post</b>
Level 1 33 Ord Street WEST PERTH WA 6005	Level 1 33 Ord Street WEST PERTH WA 6005

Cheques should be made payable to “**CFOAM Limited – Share Offer Account**” and crossed “**Not Negotiable**”. Completed Application Forms and cheques must reach the address set out above by no later than the Closing Date.

### **3.4 Minimum subscription**

There is no minimum subscription.

### **3.5 Issue of Shares**

Issue of Shares under the Offer will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until the Shares are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether any Shares are issued and each Applicant waives the right to claim any interest.

The Directors will determine the recipients of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Where the number of Shares issued is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no issue of Shares is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

### **3.6 ASX listing**

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

### **3.7 Restrictions on the distribution of the Prospectus**

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.



### **3.8 Enquiries**

Any questions concerning the Offer should be directed to Gary Steinepreis, Company Secretary, on +61 8 9420 9300.

## 4. PURPOSE AND EFFECT OF THE OFFER

### 4.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus). All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 7.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

### 4.2 Effect of the Offer on capital structure

The effect of the Offer on the Company's capital structure is set out below.

Shares <sup>1</sup>	Number
Shares currently on issue	143,254,908
Shares offered under this Prospectus <sup>2</sup>	1,000
<b>Total Shares on issue on completion of the Offer</b>	<b>143,255,908</b>

**Notes:**

1. The rights and liabilities attaching to the Shares are summarised in Section 5 of this Prospectus.
2. This assumes the Offer is fully subscribed and no Options are exercised.

Options	Number
Unquoted Options exercisable at \$0.295 each on or before 2 January 2023	135,000
Unquoted Options exercisable at \$0.15 on or before 15 August 2022	3,690,690
Options offered under this Prospectus	Nil
<b>Total Options on issue on completion of the Offer</b>	<b>3,825,690</b>

Performance Rights	Number
Performance Rights on issue as at the date of this Prospectus	6,650,000
Performance Rights issued under the Offer	Nil
<b>Total Performance Rights on issue on completion of the Offer</b>	<b>6,650,000</b>

Convertible Notes	Number
Convertible Notes currently on issue	2,164,000 <sup>1</sup>
Convertible Notes offered pursuant to the Offer	Nil
<b>Total Convertible Notes on issue after completion of the Offer</b>	<b>2,164,000</b>

**Notes:**

1. Each Convertible Note has a face value of US\$1.00 per Convertible Note which may convert into a maximum of 24,044,444 Shares upon conversion by the noteholder at A\$0.18 per Share. The Convertible Notes were issued in US dollars. Accordingly, the maximum number of Shares to be issued is determined by converting the subscription

amount of US\$2,164,000 into Australian dollars at the floor rate of A\$1.00 = US\$0.50, which equals A\$4,328,000 and dividing this number by A\$0.18.

### **4.3 Financial effect of the Offer**

After expenses of the Offer of approximately \$12,000, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$80) will be met from the Company's existing cash reserves.

As such, the Offer will have an effect on the Company's financial position, being receipt of funds of \$80 less costs of preparing the Prospectus of approximately \$12,000.

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## **5. RIGHTS AND LIABILITIES ATTACHING TO SHARES**

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### **5.1 General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

### **5.2 Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

### **5.3 Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms

and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

#### **5.4 Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

#### **5.5 Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

#### **5.6 Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

#### **5.7 Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

#### **5.8 Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## **5.9 Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

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## **6. RISK FACTORS**

### **6.1 Introduction**

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **6.2 Company specific**

#### **(a) Competition and New Technologies**

The industry in which the Company is involved is subject to increasing domestic and global competition which is fast-paced and fast-changing. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively or negatively affect the operating and financial performance of the Company's projects and business. For instance, new technologies could result in CFOAM not being differentiated from other similar offerings.

The size and financial strength of some of CFOAM's competitors may make it difficult for it to maintain a competitive position in the high-end manufacturing materials market. In particular, the Company's ability to market and sell CFOAM could be adversely affected if it is unable to respond effectively and/or in a timely manner to the strategies and actions of competitors and potential competitors or the entry of new competitors into the market. This may in turn impede the financial condition and rate of growth of the Company.

The key competition risk is in achieving appreciable market share and differentiation from its key competitors.

#### **(b) Ability to Commercialise Production**

The Company has completed its Phase 1 expansion and is currently undertaking planning for a Phase 2 expansion. The Company has made improvements in its production process and the expansion has increased output and improved efficiencies, with the goal of reducing operating costs and is working to improve the manufacturing sales team to significantly increase sales. The growth of the operations has been challenging with production issues being experienced and this has resulted in downtime and increased costs of the operation while the Company was increasing its inventory. The expected increase in sales has been slower than expected.

(c) **Additional Requirements for Capital to Continue Commercialisation Strategy**

As the Company's commercialisation strategy progresses it will need to increase its production further by its Phase 2 expansion to cater for anticipated growth. This will be done initially at the current premises. These premises are limited to growth and new premises will be required if production of CFOAM significantly increases. This transfer of production facilities and business will represent a significant capital investment and the Company will require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its production. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Research and Development Activities**

The Company can make no representation that any of its research into the further development of CFOAM will be successful, that any development milestones will be achieved, or that CFOAM will be developed into products that are commercially exploitable.

(e) **Intellectual Property Risks**

Securing rights to the CFOAM technology, and in particular patents, is an integral part of securing potential product value in the outcomes of biotechnology research and development. Competition in retaining and sustaining protection of technology and the complex nature of technology can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

The Company's interest in the CFOAM technology is currently protected by a number of US and foreign patents. Whilst this will provide the Company with protection, the granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvent such patents. The Company's success depends, in part, on its ability to maintain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of technology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in patents nor their enforceability can be predicted. There can be no assurance that any patents the Company may own or control or licence now and, in the future, will afford the Company commercially significant protection of the CFOAM technology.

Although the Company is not aware of any third party interests in relation to the CFOAM intellectual property, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company.



Although the Company will implement all reasonable endeavours to protect the CFOAM technology, there can be no assurance that these measures have been or will be sufficient.

(f) **Product Liability**

The future sale of its products will expose the Company to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products. The Company will seek to obtain and maintain adequate levels of insurance to cover product liability risks.

Despite this, there can be no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

(g) **Uncertainty of Future Profitability**

The Company's ability to operate profitably in the future will depend in part on its ability to successfully commercialise its products and grow sales of CFOAM via an increase in market share in the aerospace tooling market and expanding into new markets and identifying additional end uses.

Other factors that will determine the Company's profitability are its ability to manage its costs, its ability to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability are uncertain.

(h) **Failure to Deal with Growth**

The Company's business has the potential to grow rapidly. If that occurs and the Company fails to properly manage that growth, then that failure could harm its business. Any failure to meet customer demand properly could adversely affect the Company's business, including demand for the Company's products/services, revenue collection, customer satisfaction and public perception.

(i) **Failure to meet Regulatory Standards**

The Company's operations could be materially adversely affected if:

- (i) it is unable to obtain or maintain a licence or approval which it is required to obtain or maintain in order to conduct its operations;
- (ii) it breaches any applicable legislative or regulatory requirement;
- (iii) it is required to comply with new or additional legislative or regulatory requirements; or
- (iv) the costs of complying with applicable legislation and regulations increase.

(j) **Operational and Technical Risks**

The future operations of the Company may be affected by a range of operational and technical factors which may affect commercialisation of CFOAM, including:

- (i) mechanical failure of operating plant and equipment, work stoppage, increase in transportation costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events; and
- (ii) unexpected shortages or increases in the costs of materials, plant and equipment.

(k) **Staff Risk**

There is a risk that, where there is a turnover of development staff who have knowledge of the technology and business, that knowledge will be lost in the event that those staff resign or retire. This involves the risk that those staff will have information in respect of the Company's intellectual property which has a commercial value to the Company as well as an opportunity cost for replacement of those staff and subsequent training.

This risk is mitigated as all staff contracts will contain express provisions with respect to ownership of intellectual property and restraints of trade to limit any potential loss suffered by the Company to the maximum extent possible.

(l) **Liquidity Risk**

There is no guarantee that the Shares will trade at a particular price or a particular volume after the Company's listing on the ASX. There is no guarantee that there will be an ongoing liquid market for Shares. Accordingly, there is a risk that, should the market for Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

(m) **Environmental Risk**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. As with most manufacturing and project development businesses, the Company's activities are expected to have an impact on the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

### **6.3 Engineering Materials Market Specific**

(a) **Competition from Existing Market Players**

The Company may face competition from existing market players who may, for example, undertake aggressive marketing campaigns, product innovation or price discounting.

(b) **Highly Competitive Market**

The Company will be participating in a highly competitive market, however there are few, if any, specific competitors who have a dominant market share and dictate the structure or practices in the market.

The fact that there are no dominant competitors makes market entry and penetration easier but not without the need to ensure that the Company can position and differentiate itself to gain market share. There is no certainty that the Company will be successful in this market.

Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's business.

(c) **Multiple Markets and End Uses**

CFOAM has the potential to be monetised in a number of markets and has a number of potential end uses. However, targeting every market and end use at once is impractical for a company of this size given, among other things, that each market and potential end use has different relationship requirements, different sales requirements, different purchasing time-frames and so on, and requires its own business plan.

The Company must therefore decide about the markets and end uses in which it is most likely to be successful in the shortest amount of time and seek out those opportunities. There can be no guarantee that this approach will be successful.

## 6.4 General risks

(a) **Limited Operating History**

The Company was incorporated in March 2016 and accordingly has a limited operating history and the potential of its business model remains unproven. While significant funding and time has been spent on the development of CFOAM, it has not yet reached the sustainable commercialised manufacturing stage. Therefore, an investment in the Company should be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of production.

(b) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(c) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;

- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(e) **Market Acceptance**

The global marketplace for most products is ever changing due to new technologies, new products, changes in preferences, changes in regulation and other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of market research, promotion and sales and licensing campaigns.

Accordingly, there is a risk that the Company may not be able to commercialise its products, which could adversely impact the Company's operations.

(f) **Reliance on Key Personnel and the Need to Attract and Retain Qualified Staff**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance that the Company will be able to retain its key management personnel or attract or retain sufficiently qualified personnel on a timely basis. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(g) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is

unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(h) **Foreign Exchange Rate Risks**

The Company expects to derive a majority of its revenue and incur its business expenses from its operations in the United States, in US dollars. Accordingly, changes in the exchange rate between the United States dollar and the Australian dollar would be expected to have a direct effect on the performance of the Company.

(i) **Changes to Government Policies and Legislative Changes**

Government policy and legislative changes which are outside the control of the Company may have a negative impact on the financial performance of the Company. This risk factor applies to government policy and legislative changes in the United States of America and in Australia.

## **6.5 Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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## **7. ADDITIONAL INFORMATION**

### **7.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **7.2 Continuous disclosure obligations**

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company or an ASIC office during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below:

Date	Description of Announcement
10 December 2019	Appendix 3B
10 December 2019	Reinstatement to Official Quotation
10 December 2019	Settlement of strategic US\$5m transaction with CONSOL Energy
9 December 2019	Extension of voluntary suspension
29 November 2019	Results of Annual General Meeting
25 November 2019	Update on the proposed strategic transaction with CONSOL
25 November 2019	Extension of voluntary suspension
19 November 2019	Change of Director's Interest Notice
19 November 2019	Appendix 3B
18 November 2019	Results of Meeting
18 November 2019	Extension of voluntary suspension
12 November 2019	Suspension from Official Quotation
8 November 2019	Trading Halt
8 November 2019	Pause in Trading
1 November 2019	Q3-2019 Company Update
1 November 2019	Appendix 4C - quarterly
28 October 2019	Notice of Annual General Meeting/Proxy Form
28 October 2019	CFOAM restructures debt with Touchstone
21 October 2019	Notice of General Meeting/Proxy Form
17 October 2019	Appointment of President & CEO for CFOAM LLC
1 October 2019	Extension of time to complete proposed US\$ transaction
30 September 2019	Appendix 4G and Corporate Governance Statement
30 September 2019	Annual report to shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

### 7.3 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the most recent dates of those sales were:

	Price	Date
Highest	\$0.15	26 August – 2 September 2019 and 4 September – 16 September 2019
Lowest	\$0.078	1 November 2019
Last	\$0.094	25 November 2019

### 7.4 Details of substantial holders

Based on publicly available information as at 10 December 2019, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Drake Special Situations LLC	12,246,031	8.55%
Michael Placha	12,000,000	8.4%
Brian Joseph	8,598,435	6%
Toby Chandler	7,027,777	4.91%
Alastair Smith	6,131,250	4.3%

### 7.5 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce them to become, or to qualify them as, a Director or otherwise for services rendered by them or by the firm in connection with the formation or promotion of the Company or the Offer.



## Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below:

Director	Shares	Options	Performance Rights	Convertible Notes
Gary Steinepreis <sup>1</sup>	5,240,436	500,000	Nil	350,000
Flemming Bjoernslev <sup>2</sup>	300,000	Nil	4,000,000	Nil
Brian Joseph <sup>3</sup>	8,598,435	Nil	500,000	Nil
Todd Hoare <sup>4</sup>	1,555,000	97,500	150,000	Nil

### Notes:

- 2,500,000 Shares held by LeisureWest Consulting Pty Ltd as trustee for the LeisureWest Trust of which Mr Steinepreis is the sole director and a general beneficiary. 2,740,436 Shares, 500,000 Options and 350,000 convertible notes held indirectly by Oakhurst Enterprises Pty Ltd of which Mr Steinepreis is the sole director and a 50% shareholder.
- 300,000 Shares and 4,000,000 performance rights held directly by Mr Bjoernslev. The issue of performance rights was approved by Shareholders at the Annual General Meeting held on 29 November 2019. These performance rights will convert to Shares upon satisfaction of the vesting conditions.
- 7,187,500 Shares and 500,000 performance rights held directly by Mr Joseph and 1,410,935 held by Touchstone Research Laboratory Ltd.
- 1,265,000 Shares, 97,500 options and 150,000 performance rights held directly by Mr Hoare and 290,000 Shares held by Robyn Ann Hoare + Trevor John Hoare <Hoarehouse Family A/C>.

## Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both the executive and non-executive directors in each of the past two financial years and the proposed remuneration for the current financial year.

Director	Financial year ending 30 June 2018	Financial year ending 30 June 2019	Proposed Financial year ending 30 June 2020
Gary Steinepreis <sup>4</sup>	US\$37,115	US\$52,575	A\$64,000
Flemming Bjoernslev <sup>1, 2</sup>	Nil	US\$31,001	US\$250,000
Brian Joseph <sup>3</sup>	Nil	US\$50,887	US\$35,000
Todd Hoare <sup>5</sup>	US\$38,013	US\$53,639	A\$64,000

**Notes:**

1. Appointed on 1 May 2019.
2. 2019 - Consisting of US\$10,000 in cash salary and fees and US\$21,001 in performance rights remuneration.
3. Appointed on 8 January 2019. Consisting of US\$50,887 in performance rights remuneration.
4. 2018 - Consisting of US\$37,115 in cash salary and fees. 2019 - Consisting of US\$52,575 in cash salary and fees.
5. 2018 - Consisting of US\$37,115 in cash salary and fees and US\$898 in performance rights remuneration. 2019 - Consisting of US\$52,213 in cash salary and fees and US\$1,426 in performance rights remuneration.

## 7.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$5,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$66,431.50 (excluding GST and disbursements) for legal services provided to the Company.

## 7.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## 7.8 Estimated expenses of Offer

The total expenses of the Offer are estimated to be approximately \$12,000 as follows:

Expense	(\$)
ASIC Fees	3,206
ASX Fees	1,922
Legal Fees	5,000
Miscellaneous, printing and other expenses	1,872
<b>Total</b>	<b>12,000</b>

## 7.9 Electronic Prospectus

ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application

Form. If you have not, please phone the Company on +61 8 9420 9300 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or Prospectus or any of those documents were incomplete or altered.

#### **7.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing Share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **7.11 Privacy Act**

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth)* (as amended), the *Corporations Act* and certain rules such as the *ASX Settlement Operating Rules*. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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**8. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

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**Gary Steinepreis**  
**Non-Executive Chairman**  
**For and on behalf of**  
**CFOAM Limited**

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## 9. DEFINITIONS

**\$** or **A\$** means Australian dollars.

**Applicant** means an investor who applies for Shares pursuant to the Offer.

**Application Form** means an application form either attached to or accompanying this Prospectus.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

**ASX Listing Rules** means the listing rules of the ASX.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHES.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

**Closing Date** means the date specified in the timetable in Section 2.1 of this Prospectus (unless extended or brought forward).

**Company** or **CFOAM** means CFOAM Limited (ACN 611 576 777).

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company as at the date of this Prospectus.

**Offer** means the offer of Shares referred to in the "Details of the Offer" Section of this Prospectus.

**Official Quotation** means official quotation on ASX.

**Opening Date** means the opening date of the Offer as specified in the timetable set out in Section 2.1 of this Prospectus (unless varied).

**Option** means an option to acquire a Share.

**Prospectus** means this prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**US\$** means United States dollars.

**WST** means western standard time as observed in Perth, Western Australia.