

Companies Announcement Office
ASX Limited
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**CFOAM LIMITED RECEIVES COMMITMENTS FOR A\$2.125 MILLION SHARE
PLACEMENT, IN ORDER TO:**

- COMMIT TO AN ACCELERATION OF A NEW, MULTI-STAGE “PHASE 2” CAPITAL EXPANSION PLAN;
- MATERIALLY AND POSITIVELY EXTEND ITS DEBT PROFILE WITH TOUCHSTONE RESEARCH LABORATORIES;
- FULLY PREPARE CAPITAL AND HUMAN RESOURCE PLATFORM FOR UPCOMING “PHASE 1” START-UP; AND
- FUND ALL SCOPING, FINANCIAL AND ENGINEERING STUDIES FOR FORMAL PHASE 2 IMPLEMENTATION AND PLANNING OF FUTURE MULTI-PHASE EXPANSION.

OVERWHELMING EVIDENCE OF RAPIDLY EXPANDING DEMAND PROFILE SEES ACTUAL AND EXPECTED CUSTOMER DEMAND, IN MULTIPLE INDUSTRIES AND SECTORS, SIGNIFICANTLY OUTSTRIPPING PRIOR PLANNED PLATFORM CAPACITY OVER ALL TIME HORIZONS. THE COMPANY IS FORMALLY PLANNING A FASTER, MORE AGGRESSIVE RAMP-UP IN PRODUCTION OF CFOAM® PRODUCTS TO MEET THIS DRAMATICALLY INCREASED DEMAND PROFILE.

Highlights

- CFOAM Limited (“CFO” or “the Company”) has received *strategic* commitments to raise A\$2.125mn through the placement of **12,142,857 shares at A\$0.175 per share** to existing institutional and sophisticated investors (“**Placement**”).
- The Placement is being completed with no discount to the current market share price, or the 5d or 10d VWAP. No options or warrants were offered, and no Placement costs or fees will be paid.
- Following overwhelming interest levels in the Company’s products, witnessed first-hand at the JEC World 2018 Trade Show, CFO has now formally committed to its Phase 2 capital and site expansion plan via deposits (and agreement in principle, related milestone payments schedule) to purchase major, time-sensitive capital equipment – namely two autoclaves with a combined throughput potential of up to 70,000cft per annum.
- Ongoing discussions with key West Virginia government bodies exploring additional State-funded options related to a materially larger “greenfield” expansion at a purpose-built industrial site located very near to CFO’s current facility in Triadelphia, WV have, again, continued to be very positive. This planned expansion would

dramatically extend the scope, and implementation speed, of the Company's medium-term Phase 2 expansion.

- *To facilitate the growth of CFO's strategic partner, and key customer, Touchstone Research Laboratory, Limited ("TRL"), CFO has advanced an early repayment of a portion of its debt obligation, in exchange for the deferment of the total remaining obligation.*
- *CFO is now fully-funded beyond Phase 1 start-up, while the Company also now has the financial strength to enable the total business platform to be optimally sized, in advance, for significantly greater production scale following Phase 1 implementation.*

CFO, through its 100%-owned subsidiary, CFOAM, LLC, manufacturer of carbon foams CFOAM® and PFOAM™, used for ultra high-end performance engineering materials in the industrial, aerospace, military and commercial product markets, is pleased to provide the following update.

As previously announced, the JEC World 2018 Trade Show was an overwhelming success and reinforced the significant levels of un-met demand for the Company's CFOAM® and PFOAM™ products. It has become increasingly apparent that composite aerospace tooling, whilst currently a significant opportunity, is however, only a fraction of the total addressable market ("TAM"). Applications in defense, building products, electronics, lighting, acoustic applications, automotive and transport – to name just a few – will ultimately represent demand levels that are multiple times the current aerospace composite tooling TAM.

At present, the Company's 9,000cft per annum nameplate capacity, increasing to circa-25,000cft per annum in August with the start-up of Phase 1, cannot capitalize on these opportunities. As such, and critically, a portion of the funds raised in this Placement has already been committed as a deposit for two autoclaves, to be retrofitted, that will form the critical, core pieces of primary equipment for the Company's Phase 2 expansion – an expansion that will result in a nameplate capacity of circa-70,000cft per annum. Preliminary discussions with leading companies in regard to purpose-built kilns and additional autoclaves that would further underpin expansion beyond Phase 2 have already been held. *Of critical importance, the identification and securement of the autoclaves will bring forward the actual implementation of these machines, versus custom-built, made-to-order machines, by approximately two full quarters and at lower cost.*

Additionally, the Company has started to engage in active discussions with various West Virginia government bodies regarding assistance packages for a greenfield development that would see the Company relocate to a completely new, purpose-built industrial site in 2019, and also relocate the totality of its platform at the present facility. Feedback from the State has again been demonstrably positive, and initial due diligence on the financial merits of the Company's intended expansion suggests very strong returns on invested capital – well in

excess of the Company's cost of capital. *Significantly, all external sites currently being evaluated would have potential for additional expansion beyond Phase 2, while some of these site options would allow for a seamless expansion of capacity into Phase 3 and beyond, into the hundreds of thousands of cubic feet per annum at the new site, as compared to CFO's prior Phase 2 plan which would cap absolute nameplate production capacity around circa-70,000cft per annum at the current facility in Triadelphia, WV.*

Further, the Company has accelerated part of its debt obligation owing to TRL as part of the original IPO when CFO was effectively spun-out from TRL. Through Touchstone Advanced Composites ("**TAC**"), its aerospace tooling division, TRL is not only a key customer but is also the Company's technological, strategic and scientific partner. This early repayment of US\$450,000 (to be paid this month) will provide TRL with the needed working capital flexibility to rapidly pursue its own expansion plans and increase aerospace tooling sales (and thus their demand for CFOAM® products). In a strong show of commitment, both parties have successfully renegotiated the Asset Purchase Agreement ("**APA**") that formed part of the IPO such that CFO's future repayments have been significantly extended.

The original APA called for US\$900,000 and US\$1.9mn Promissory Note repayments once post-IPO cumulative sales reached US\$3mn and US\$6mn respectively. Based on current projections, this was likely to have resulted in these payments being made in Jul-2018 and Mar/Apr-2019, respectively.

The renegotiated APA will now result in:

- *an immediate payment of US\$450,000 plus accrued interest upon successful completion of the capital raising, due on or before April 30, 2018;*
- *the remaining US\$450,000 plus accrued interest due on or before January 15, 2019;*
- *the balance of US\$1.9mn plus accrued interest to be paid on or before December 15, 2019. This portion of the debt owed carries only a 2% per annum coupon.*

The timing of these extensions more closely aligns with the ramp-up of Phase 1 capacity, and resulting positive operating cash-flow, and is, as such, a very positive outcome for CFO.

Phase 1 remains, as previously communicated, fully on track for an August-2018 start-up, and a successful production ramp-up and sales penetration will see the Company cash-flow positive shortly thereafter.

CFO Management and Board, remain committed to an aggressive expansion plan well beyond Phases 1 and 2 and are confident that once the Company has the necessary scale to supply the quantities of carbon foam demonstrably demanded on a global scale, revenue generation and real commercial visibility will see greater and greater production capacity increases progressively achievable. The financial metrics of an expanded production platform, even at a

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nameplate capacity of just 25,000cft per annum (i.e. as achieved with Phase 1) are very compelling, and the Board looks forward to updating shareholders on further material developments over the coming months.

The Company has received strategic commitments to raise A\$2.125mn through the placement of **12,142,857 shares at A\$0.175 per share** to existing institutional and sophisticated investors ("**Placement**").

Subject to shareholder approval, Toby Chandler or his nominee will apply for A\$250,000 and Gary Steinepreis or his nominee will apply for A\$100,000 ("**Related Parties**") as part of, and on the same terms, as the Placement.

The Placement is being completed with no discount to the current market share price, or the 5d or 10d VWAP. No options or warrants were offered, and no Placement costs or fees will be paid.

The Company will issue up to 10,142,857 shares under its existing placement capacity in accordance with Listing Rule 7.1 on or around 18 April 2018, with the participation by the Related Parties to be subject to shareholder approval at a General Meeting of Shareholders expected to be convened in May 2018.

Management Commentary

Executive Director and CEO, Alain Bouruet-Aubertot commented: "The commercial development efforts of these last few months, including at the recent JEC World 2018 trade show, have created a strong momentum for short and medium term demand growth in CFOAM® products, thus supporting the implementation of the Company's capacity expansion plan. In this context, we are very pleased by the shareholders' support through their commitment to the new share placement. We are also very pleased with the reaffirmation of the alignment of the growth strategies between TRL and CFO, which has led to a rescheduling of the note payments that is now more closely aligned with the Company's business development milestones. All in all, these two key events enable us to move forward with confidence into our phased capacity expansion strategy, starting with the pre planning work of Phase 2, for a decision on this program that we expect will take place during the third quarter of year 2018."

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About CFOAM Limited

CFOAM® is an inorganic carbon material that is manufactured from coal, pitch or lignin feedstock. CFOAM® manufactured in this process has a rigid foam structure, similar in appearance to pumice stone, but with entirely different properties. CFOAM® is 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® was 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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