

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

CFOAM Limited

ABN

46 611 576 777

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	73	358
1.2 Payments for		
(a) research and development	(11)	(25)
(b) product manufacturing and operating costs	(99)	(476)
(c) advertising and marketing	(2)	5
(d) leased assets	(90)	(265)
(e) staff costs	(297)	(914)
(f) administration and corporate costs	(289)	(758)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(25)	(287)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(6)	(16)
1.9 Net cash from / (used in) operating activities	(746)	(2,378)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(191)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	-	(191)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,710
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(41)
3.5	Proceeds from borrowings	-	1,175
3.6	Repayment of borrowings	(44)	(3,382)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Proceeds from investment by CONSOL	-	3,500
3.10	Net cash from / (used in) financing activities	(44)	2,962

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,400	241
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(746)	(2,378)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(191)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(44)	2,962
4.5	Effect of movement in exchange rates on cash held	(8)	(32)
4.6	Cash and cash equivalents at end of period	602	602

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	602	1,400
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)	602	1,400

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$US'000
67
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

The remuneration shown is for the executive director of CFOAM LLC.
There has been no remuneration paid to the non-executive Directors for the period. The remuneration has been accrued for the period 1 July 2018-31 March 2020 for non-executive directors.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	2,900	2,712
7.2 Convertible notes	350	350
7.3 Promissory notes	1,208	1,208
7.4 Total financing facilities	4,458	4,270

7.5 Unused financing facilities available at quarter end

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Loans payable – secured:

	Balance at 31 March 2020 US\$	Total Facility US\$	Interest rate
Secured loan - West Virginia Economic Development Authority (WVEDA)	1,087,831	1,200,000	3.46%
Secured loan – Summit Community Bank	517,655	600,000	6.58%
CONSOL Energy Inc	1,107,045	1,100,000	2.00%
	<u>2,712,531</u>	<u>2,900,000</u>	

The loans payable are secured over the 2016 Assets not claimed by the promissory notes security and secured over the Phase 1 and other assets.

7.2 Convertible notes - unsecured:

The Company repaid US\$1,814,000 of convertible notes during the period by way of the issue of ordinary shares and had US\$350,000 of convertible notes with a face value of USD\$1 each on issue at 31 March 2020. On 8 April 2020, shareholders approved the conversion of this balance into ordinary shares.

7.3 Promissory Notes – secured:

Promissory notes issued are as follows:

- (i) Original US\$800,000 promissory note with an interest rate of 5% per annum, and which is secured by a first lien security interest over the all of the assets of the business of CFOAM LLC acquired under the Asset Purchase Agreement in 2016 (2016 Assets). The promissory note was restructured during the December quarter and interest is only payable on a monthly basis and principal on 30 June 2022. Balance due at 31 March 2020 is US\$403,098.
- (ii) Original balance was US\$4,000,000. The promissory note which will accrue interest at 2% per annum and be secured by a second lien security interest over the 2016 Assets. This promissory note was restructured during the December quarter and accrued interest and principal is due and payable on 31 December 2021. Balance due at 31 March 2020 is US\$804,700.

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(746)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	602
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	602
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.8

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

The entity expects to have additional revenues to support the business net operating cashflows. Product orders processed and shipped for April 2020 to date are US\$148,000 which is over double the amount for the whole of the March quarter. Further sales are expected with an order of US\$100,000 committed to via purchase order in May 2020.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

In April 2020, CFOAM LLC received approval for the PPP (Paycheck-Protection-Program) for of up to US\$293,400 which will assist to cover payroll and certain other approved expenditures for a period of 8 weeks from the initial PPP loan drawdown. 75% is to be used for payroll and this amount, when verified, will be forgiven.
CFOAM LLC has further funding applications prepared in anticipation of further appropriations being approved.
CFOAM operating entities will continue to review, apply and consider all funding options available to continue the business operations.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes – as referred to above.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

Authorised by: Gary Steinepreis - Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.