

Companies Announcement Office
ASX Limited
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Q3-2020 COMPANY UPDATE

CFOAM Limited, CFOAM Corp (75% owned by CFOAM Limited) and its operating entity CFOAM LLC, Triadelphia, West Virginia, (CFOAM) wish to provide the following update for period ended 31 March 2020

SUMMARY OF Q3

- Quarterly Cash Flow and Cash Position
- Operational Platform update
- Research & Development
- Strategic Initiatives
- Corporate matters

QUARTERLY CASH FLOW AND CASH POSITION

Current CFOAM group cash @ 31 March 2020 - US\$602,000.

Sales for the quarter - US\$73,000 with an increased activity in the month of April 2020 of US\$148,000 of processed and shipped orders (*refer to separate Sales Update release*).

Operational costs are being maintained and reduced, where possible.

OPERATIONAL PLATFORM UPDATE

- Production: 471 production panels we processed through the autoclave and one small kiln run of 267 panels was completed and is in process.
- Work was finalized to complete the review, finish and quantify for sale the WIP (Work In Progress) material which resulted in panels being placed into finished inventory or scrapped.
- MYSSis implementation is on-going to improving the manufacturing process. Alongside implementing SAGE for the accounting function, the company is significantly better placed to fully understand its accounting and cash cost structures, allowing for appropriate workflow processes and the ability to more accurately price CFOAM tooling projects.
- CONSOL's continuous improvement team was onsite during the quarter analysing the production process and discussing how to improve efficiencies.

RESEARCH & DEVELOPMENT

During the quarter, the CFOAM manufacturing team continued to experiment with producing CFOAM panels at atmospheric pressure level (i.e. without an autoclave). Although much work still needs to be done, we were able to produce the best CFOAM panel to date and are encouraged by the early signs. The cost benefits of being able to replicate this test at scale are very significant and it remains a core focus for the company going forward.

STRATEGIC INITIATIVES

The Department of Energy (DOE) and the Office of Fossil Energy (FE) jointly announced a Financial Assistance and Funding Opportunity for coal-derived materials applicable for building, infrastructure, and other applications.

The Advanced Coal Processing Program is focused on the conversion of coal into value-added products, outside of traditional thermal and metallurgical markets, that can contribute to the U.S. gross domestic product and provide a stable and sizable market for U.S. coal production. For the Advanced Coal Processing Program, this Funding Opportunity Announcement (FOA) seeks applications to conduct research and development on coal-derived materials for residential/commercial buildings, infrastructure, and high-value products. This includes supporting research and development to migrate from batch manufacturing to continuous manufacturing of coal-based building materials. The FOA will also support the design, R&D, and validation of a prototype carbon-based building. With the assistance of CONSOL and in conjunction with Touchstone Research Laboratories, CFOAM is in the early stages of preparing one or more proposals in response to this funding opportunity.

Rudy Olson, PhD (General Manager/Chief Technical Officer of CFOAM LLC), has accepted an invitation to join the National Coal Council. The National Coal Council is a Federal Advisory Committee to the U.S. Secretary of Energy.

CORPORATE MATTERS

During the quarter, an agreement was reached with the convertible noteholders for a conversion of all outstanding notes using its existing placement capacity and CFOAM also sought and received, on 8 April 2020, shareholder approval for the participation of a director related entity, approval for related party converting loans and also the conversion of director and former director fees into ordinary shares.

The management structure of CFOAM LLC was restructured during the quarter with the role of the President and CEO of CFOAM LLC being replaced with a management reporting structure where the key production and operating platform staff will report directly to the Board of CFOAM Corp.

ASX ANNOUNCEMENT

30 April 2020



CFOAM has been investigating the various financial support packages from regulatory authorities that are being made available broadly to small businesses as well as those available to companies directly impacted by disruptions (cost and revenue) associated with COVID-19. Subsequent to the end of the quarter, CFOAM advised of its successful application for the Paycheck Protection Program (PPP) for up to a maximum amount of US\$293,400. The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA (U.S. Small Business Administration) will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

CONCLUSION

COVID-19 has undoubtedly disrupted and in some cases lengthened the adoption time for CFOAM. Whilst this is frustrating given the pipeline of opportunities that were being progressed, the company remains confident that these opportunities have been deferred, rather than lost. The Board continues to focus on growing revenues and is encouraged by the pick up seen so far in April. Government support packages during this period are generous, but also reflect the role that CFOAM is playing in providing support to the broader coal industry, defense industry and commercial aviation/aerospace sectors at this difficult time. CFOAM is considered an essential business given its role as a supplier of product for defense applications and has remained open during this period.

The support provided by CONSOL in navigating the U.S. system has been invaluable and both parties continue to work seamlessly in creating a viable long-term platform that can capture the revenue opportunities that we believe are now starting to appear.

This ASX release has been approved for release by Gary Steinepreis on behalf of the Board of Directors

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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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