

CFOAM Limited – June Quarterly Activities Report

Triadelphia, WV, USA, CFOAM Limited, (ASX: CFO, “the Company”), through its 100%-owned subsidiary Carbon Innovations, LLC (“CI”), the developer of carbon foam, CFOAM®, used for ultra-high-end performance engineering materials in the industrial, aerospace, military and commercial product markets, is pleased to report its June Quarterly Activity Report and Appendix 4C.

Highlights:

- **Cash receipts** from CFOAM® and PFOAM™ sales from 1 April 2017 to 30 June 2017 increased by 62% from the previous quarter to US\$484,000;
- For the three-month period ending 30 June 2017, 1,631 production units of CFOAM® and PFOAM™ were manufactured with **1,561 units delivered to customers**. Current **inventory totals 4,252 production units**, considered to be a near-optimal inventory position given the Company’s current customer activity and platform development.
- **First external prototype tool sales of CFOAM®** - The Company received its first order to supply and deliver four (4) CFOAM® prototype tools to a major aerospace manufacturer during the quarter. Additional quotes for finished CFOAM® tools were provided to other aerospace customers. Further deliveries are expected to occur this quarter, which could become the basis for future regular orders.
- **First commercial sales of PFOAM™** were delivered to Oak Ridge National Labs. The Company met with Oak Ridge to formalise pricing and the supply of the next order of 25 additional production units for a key defence application. In addition, the Company received **an order for six (6) PFOAM™** production units for a LED application, with first shipments scheduled in Q3. An additional 24 PFOAM™ production units were manufactured in Q2 to meet immediate expected sales.
- **U.S. Navy** – The Program is on track for the US Navy to use CFOAM® during the retrofit of one of its ships. The Program’s lead contractors have advised that a specific ship in the Aegis-class has been selected and scheduled for the retrofit. CFOAM® will then be used as the critical material component of the uptake-exhaust structure. For CFO, the next Program stage will encompass notification of an exact delivery/installation date, which will be followed by on-vessel, seaborne testing. As reiterated previously, this Program is expected to be a highly significant, and potential “company-making” opportunity for CFO. The Company will announce further key updates as this critical Program progresses through the 2nd half of 2017.
- **New applications** - CFOAM® products continue to trigger measurable interest in an ever-increasing, wide range of applications, as illustrated by the fact that the Company recently executed its first sale of CFOAM® to be used for a proprietary, confidential audio application.

- Further positive sales enquiries and client testing is ongoing with potential customers evaluating product applications in home goods, LED lighting, aircraft thermal management and breathable, thermally conductive clothing. These applications are all in addition to existing applications and programs in rail transport, heat absorption/dissipation, impact resistance and aerospace tooling.
- During this period, the Company entered into a formal, strategic alliance with Touchstone Research Laboratory (TRL) for the continued expansion and development of the CFOAM® and PFOAM™ product lines.
- The Company submitted and received permit approval from the Air Quality Board for its coal pulveriser system acquired in the previous quarter. Erection is expected to commence next quarter.
- During the quarter, CFO reached an agreement to sell \$US200,000 of CFOAM®20 inventory to Touchstone Advanced Composites (TAC) – legacy inventory that was previously produced by TAC prior to CFO's business acquisition. This sale directly reduces the Company's future milestone payment obligations to TRL by \$US200,000. The sale to TAC was not recorded in the cash receipts for the quarter.

Management changes, outlook and conference call

The Board appointed highly regarded finance and materials executive, Mr. Alain F. Bouruet-Aubertot, as an Executive Director of CFOAM Ltd, with direct oversight of the Company's US-based operational platform, effective immediately. Mr Bouruet-Aubertot replaced Michael Placha, who resigned from the Board and as CEO of Carbon Innovations, LLC. The transition is now complete. The Company also advised that Mr Dan Placha, Chief Operating Officer, resigned from the Company for personal reasons. Mr Dan Placha's performance based remuneration of 1,250,000 performance rights and 1,750,000 options have been forfeited as the vesting conditions of these awards were not met.

Mr Bouruet-Aubertot's has initiated a full review of the operational platform's processes as part of the transition of the management changes, and is undertaking a detailed scoping study on platform optimisation and expansion, market penetration and opportunities for the CFOAM® and PFOAM™ product lines. The Company will provide a further update once this work is completed.

Over the course of the next 3-6 months, the Company's focus will be on fully optimising product quality to precisely meet known client product specifications. Simultaneously, key CFO staff are analysing strategic capex and platform expansion opportunities that would allow the Company to fulfil a material percentage of visible customer demand. This expansion plan is expected to be phased-in over coming quarters, and it is anticipated that key discussions with the West Virginia Development Authority, and others, on how best to

structure total funding for expansion activities (e.g. permitting, debt/grant funding, tax/employment incentives) will formally begin this quarter.

The Company wishes to advise shareholders that Mr Bouruet-Aubertot will be hosting an investor conference on Monday August 7th at 10:30am (AEST). Mr Bouruet-Aubertot and the CFO Board are committed to improving shareholder engagement moving forward. Therefore, all CFO shareholders are encouraged to dial in – and in the interests of logistics, shareholders with relevant questions should email them ahead of time to Simon Hinsley (simon@nwrcommunications.com.au). Call details will be released to the ASX separately.

Manufacturing Operations

During the June quarter, production highlights included:

- Continued optimisation of the production platform process.
- Expanded operating hours of the 3-axis milling machine to increase the saleable inventory of finished CFOAM®
- Separate production of PFOAM™ billets has been successfully completed.
- Direct CFOAM® cost of goods sold (COGS) has been maintained – per billet unit.

Composite Tooling Customer Activity

CFOAM® personnel attended SAMPE Conference for specialised composite tooling applications and Space Tech EXPO. Discussions were held with major composite tooling companies and leading aerospace companies with applications to potentially expand the parameters of CFOAM® use:

- Further customer site visits were scheduled and will be undertaken in the near-term by CFO business development personnel to generate CFOAM® visibility and awareness.
- The Company is developing a market for the sale of finished prototype tools to expand CFOAM® use in aerospace applications. Sale of finished prototype tools is driven by customer demand.

Other Key Sales and Marketing Activity

- **Fire resistance test programs** – Fire resistance and toxicity testing was successfully completed. The customer is now conducting impact testing with expected completion in early Q3 CY2017. This application would expand CFOAM® use in light rail/subway car applications.
- **Light Rail Application** – The Company has completed machining and delivered sample test parts for an electrified, light rail application.

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- **PFOAM™** – Production of PFOAM™ continues with commercial orders and shipments made during the quarter. Multiple positive sales enquiries and client testing are ongoing.
- **Additional multi-use program/customer developments**
 - Work commenced on design of PFOAM™ for use in home products and related thermal management applications.
 - Quotations provided for the use of CFOAM® in space rocket applications.

For further details, please contact:

Alain F. Bouruet-Aubertot

Executive Director

E: abouruet@CFOAM.com

Toby Chandler

Director

E: tchandler@CFOAM.com

Simon Hinsley

NWR Communications

E: simon@nwrcommunications.com.au

P: +61-401-809-653

Todd Hoare

Director

E: thoare@CFOAM.com

Gary Steinepreis

Non-Executive Chairman

E: gsteinepreis@CFOAM.com

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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