



ACN 611 576 777

Annual Report
CFOAM Limited and its controlled entities
For the year ended 30 June 2020

CORPORATE DIRECTORY

Directors

Gary Steinepreis
Non-Executive Chairman

Flemming B. Bjoernslev
Non-Executive Director

Todd Hoare
Non-Executive Director

Company Secretary

Gary Steinepreis

ASX Code

CFO

Solicitors

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PERTH WA 6000

Registered Office

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Share Registry

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Limited

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Auditor

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

CFOAM LIMITED
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**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

The Director's present their report, together with the financial report of CFOAM Limited and its 75% subsidiary, CFOAM Corp which wholly owns the operating entity CFOAM LLC (**Group**) for the year ended 30 June 2020 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of the directors in office at any time during or since the end of the year are:

Gary Steinepreis

Todd Hoare

Flemming B. Bjoernslev

Brian E. Joseph – appointed 8 January 2019, resigned 16 December 2019

Particulars of each director's experience and qualifications are set out later in this report.

Principal activity

The principal activity of the Group is the commercialisation of the CFOAM business. 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 the 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.

Financial results

The financial results of the Group for the year ended 30 June 2020 are presented in US\$:

	30 June 2020	30 June 2019
Cash and cash equivalents (US\$)	418,118	240,775
Net assets (US\$)	4,437,608	1,931,008
Total revenue from operations (US\$)	847,345	996,807
Loss after income tax (US\$)	(5,474,516)	(5,932,385)

Review of operations

The Group continued to engage in its principal activity, the results of which are disclosed in the following financial statements.

During the period, the Company restructured the ownership of its operations in the USA with the introduction of a strategic investor, CONSOL Energy Inc., who acquired a 25% interest in CFOAM Corp.

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the group to the date of this report, not otherwise disclosed in this report.

After balance date events

The COVID-19 pandemic and the subsequent restrictions imposed by governments globally have caused disruption to many businesses and the associated economic activity. To date, the pandemic has not had a significant adverse effect on the Group's consolidated financial results.

The Group will continue to assess the impact of COVID-19 on existing projects and operations. The duration and spread of the pandemic and regulations imposed by governments continue to be closely monitored to determine any future impact on the Group.

The Board of CFOAM Corp (CCORP) has determined that the business of CFOAM LLC requires working capital of US\$916,532 to continue its business operations. The funds are required to be contributed on a pro rata basis being CFOAM Limited (CFO) US\$687,399 and CONSOL US\$229,133. CFO and CONSOL currently own 75% and 25% being seventy five (75) shares and twenty five (25) shares respectively, of the outstanding capital stock of the CCORP.

CONSOL has agreed to contribute its pro rata share of US\$229,133 by 4 September 2020 for the issue of 4 shares and contribute US\$229,133 of CFO's portion on or after 1 October 2020, on a short term basis, allowing CFO time to raise its allocation.

CFO intends to raise capital to contribute as follows:

- On or before 31 October 2020 or such date as agreed, CFO will contribute US\$229,133 to CCORP for the issue of 3 shares.
- On or before 30 November 2020 or such date as agreed, CFO will contribute US\$229,133 to CCORP for the issue of 3 shares.
- In the event that CFO is unable to make part or all of the above contributions, then CFO will notify CONSOL of how much CFO will be able to contribute to CCORP and contribute such amount to CCORP at the rate of US\$76,378 per share. If this occurs, the board of directors of CCORP will convene within ten (10) business days to identify and discuss additional actions to be taken to satisfy CFOAM LLC's near-term working capital needs and related issues.
- On or before 21 December 2020, CFO will contribute any remaining proceeds to CCORP. If CFO contributes the total amount of US\$229,133 to CCORP, then these proceeds will be used to repay the CONSOL prepaid amount and CCORP will issue 3 shares to CFO. CFO will notify CONSOL if it is only able to contribute a portion of the US\$229,133 to CCORP. In that case, shares to be issued in connection with these funds will be allocated between CFO and CONSOL based on the per share value of US \$76,378 per share and one additional share will be issued to CONSOL as interest and other compensation for making the additional contribution to CCORP. No fractional shares will be issued and any rounding with respect to amounts contributed by CFO will be rounded down. In the event that CFO does not contribute any of the US\$229,133 to repay the prepaid CONSOL amount by 21 December 2020, then CONSOL will be issued with a further 4 shares.

Other than this, there have been no other matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2020, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2020, of the Group.

Likely developments and expected results of operation

The Group is proceeding with the commercial strategy for CFOAM products.

**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

Environmental regulation

The Group's operations up to 30 June 2020 are not regulated by any significant environmental regulation laws other than operating within certain limits of Hazardous Air Pollutants at its manufacturing operations in West Virginia to ensure no environmental issues occur.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

During the year, the Group's auditor has performed certain other non-audit services in addition to the audit and review of financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Details of the amounts paid to the auditor, and its network firms for non-audit services provided during the year are set out below:

Non-Audit Services

Amounts paid/payable to BDO for tax compliance and advice

US\$3,975

Information Relating to Directors and Company Secretary

Gary Steinepreis	Chair (Non-executive)
Qualifications and Experience	Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and manufacturing industries.
Interest in Shares	12,645,157
Interest in options (unlisted)	500,000
Special Responsibilities	Company Secretary and Chair (Non-executive)
Directorships held in other listed entities during the three years prior to the current year	Current Taruga Minerals Limited since 15 July 2016 Lachlan Star Limited since 18 January 2018 Former Helios Energy Ltd 4 June 2010 to 11 September 2018
Todd Hoare	Non-executive director
Qualifications and Experience	Mr Hoare holds a Bachelor of Commerce and Bachelor of Science (Mathematics) degree from the University of NSW. He has extensive capital markets experience - including fund raising, valuation and trading - across the globe, including Hong Kong, New York and Sydney.
Interest in Shares	2,875,565
Interest in options (unlisted)	97,500
Interest in Performance Rights	150,000
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Nil

**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

Flemming B. Bjoernslev

Executive director

Qualifications and Experience

Mr Bjoernslev holds a bachelor degree from the University of Applied Sciences in Essen, Germany. He is an experienced executive, having spent 30 years in the chemical industry in Europe, Latin America and the United States. Most recently, Flemming was President & CEO of Lanxess Corporation and is currently an Operating Partner with the Virgo Investment Group, while also serving as an advisor to the North American chemical industry as a Senior Consultant at Cumberland Highstreet Partners. Previously, Flemming joined Bayer AG in 1986, and following his vocational training in Germany, embarked on an international career with Bayer, where he worked in several roles of increasing importance across various business groups in Europe and Latin America. In 2005, Bayer spun-off its chemical activities to form Lanxess AG, and Flemming continued his career with the newly-formed company. After setting up operations for Lanxess in Central Eastern Europe, he returned to North America in 2012 and was appointed President and CEO of Lanxess Corporation, overseeing fifteen global sites with 1,700 total employees and \$2 billion in annual revenues. He served in this role until 2015.

Interest in Shares

1,300,000

Special Responsibilities

Nil

Directorships held in other listed entities during the three years prior to the current year

Nil

Former director:

Brian E. Joseph

Non-executive director – resigned 16 December 2019

Qualifications and Experience

Mr Joseph is the founder of Touchstone Research Laboratories and has been awarded four R&D 100 Awards from R&D Magazine, including two for the CFOAM carbon foam technologies. He has 36+ Years of inventive commercial research and development. Has performed over \$100M in research and development for both the private sector and the Federal government. He is a former Entrepreneur of the Year from Ernst & Young and the Blue Chip Enterprise Award from the US Chamber of Commerce.

Meetings of Directors

During the financial year, the Board conducted the majority of its formal business via director's resolutions. A total of 2 meetings of directors (there were no committees of directors) were held. Attendances by each director during the year were as follows:

	Number eligible to attend	Number attended
Gary Steinepreis	2	2
Todd Hoare	2	2
Flemming B. Bjoernslev	2	2
Brian E. Joseph	1	1

Remuneration Report (Audited)

The principles adopted by the Board are set out under the following main headings:

- (1) Principles used to determine the nature and amount of remuneration
- (2) Details of remuneration
- (3) Employment contracts of Directors and Senior Executives
- (4) Performance rights remuneration
- (5) Other transactions with Key Management Personnel

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under section 300A of the Corporations Act 2001.

1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- (i) competitiveness and reasonableness;
- (ii) acceptability to shareholders;
- (iii) performance linkage / alignment of executive compensation;
- (iv) transparency; and
- (v) capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

- (i) focuses on sustained growth in shareholder wealth;
- (ii) attracts and retains high calibre executives;
- (iii) rewards capability and experience; and
- (iv) provides a clear structure for earning rewards.

The Company is in a development phase and is focussed on implementing this strategy whilst continue to grow its earnings. The Company has incurred losses over this period and invested significant capital. The financial report covers 2019 and 2020.

**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

The Company performance is summarised for the 4 years to 30 June 2020 as follows:

	2020	2019	2018	2017
Loss for the year (US\$)	(5,474,516)	(5,932,385)	(3,511,954)	(1,695,331)
Basis loss per share (US\$)	(\$0.03)	(\$0.05)	(\$0.03)	(\$0.02)
Closing share price (A\$)	2.7 cents	15.5 cents	15.5 cents	32.5 cents

Remuneration Governance

Fees and payments to directors and key management personnel reflect the demands and responsibilities of the positions and are in line with the general market and the financial condition of the Group. There are no minimum or maximum amounts. There is no remuneration committee. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at A\$300,000 per annum as per the Group's constitution and may be varied by ordinary resolution of the shareholders in general meeting. The entire board which comprises four directors are responsible for remuneration packages. The Directors believe this is satisfactory given the size and complexity of Company operations.

Use of Remuneration Consultants

Remuneration consultants were not used in the establishment of remuneration packages for directors or key management personnel in 2020.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The Company is in a development phase and is currently making a loss from operations. This will require the raising of additional capital and or debt as indicated in the financial report. No relationship exists between the Company performance, earnings, shareholder wealth and Directors' and Executive Remuneration for this financial period and the previous financial periods.

The remuneration for the years ended 30 June 2019 and 30 June 2020 is detailed below. The Company has also established a performance rights plan and employee share option plan and intends to utilise this to incentive management and directors, subject to shareholder approval, if required. Whilst not directly linked to Company performance, the rights vest on various milestones that are designed to align executive remuneration with shareholder interests. Note 4 in the remuneration report refers to performance related remuneration.

No dividends have been declared or paid during the financial year and there has been no return of capital.

The Company's securities are traded on the ASX.

Comments and Voting at Annual General Meeting

At the 2019 Annual General Meeting the Company remuneration report was passed by the requisite majority of shareholders (100% by a show of hands).

**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

2 Details of Remuneration

The key management personnel of the Group, during the year, were:

Directors:	Position:	Date Appointed	Date Resigned
Gary Steinepreis	Chair (Non-executive) / Company Secretary	30 March 2016	-
Todd Hoare	Non-executive director	16 June 2017	-
Brian E. Joseph	Non-executive director	8 January 2019	16 December 2019
Flemming B. Bjoernslev	Director	1 May 2019	-
Flemming B. Bjoernslev	President, CEO CFOAM LLC	16 October 2019	12 March 2020
Toby Chandler	Executive Vice President, Strategic Business, CFOAM LLC	1 May 2019	15 January 2020
Mark Morse	Chief Operations Officer, CFOAM LLC	1 August 2018	31 August 2019

The remuneration is detailed below and no bonuses have been paid for the period.

	Short term employment benefits			Total US\$	Performance related %
	Cash salary and fees US\$	Medical insurance – employer and employee US\$	Equity settled US\$		
2020					
<i>Non-Executive Directors:</i>					
Gary Steinepreis	44,104	-	-	44,104	-
Todd Hoare	44,104	-	1,339	45,443	2.95%
Brian E. Joseph	-	-	14,931	14,931	100%
<i>Director:</i>					
Flemming B. Bjoernslev ¹	203,073	-	63,794	266,867	23.9%
<i>Other Key Management Personnel:</i>					
Toby Chandler	23,864	-	-	23,864	-
Mark Morse	54,913	-	-	54,913	-
	<u>370,058</u>	<u>-</u>	<u>80,064</u>	<u>450,122</u>	

Note 1: Flemming Bjoernslev ceased executive director duties on 12 March 2020.

	Short term employment benefits			Total US\$	Performance related %
	Cash salary and fees US\$	Medical insurance – employer and employee US\$	Equity settled US\$		
2019					
<i>Non-Executive Directors:</i>					
Gary Steinepreis	52,575	-	-	52,575	-
Todd Hoare	50,787	-	1,426	52,213	2.70%
Brian E. Joseph	-	-	50,887	50,887	100%
<i>Executive Directors:</i>					
Flemming B. Bjoernslev	10,000	-	21,001	31,001	67.7%
Alain Bouruet-Aubertot ¹	160,395	6,891	53,826	221,112	24.3%
<i>Other Key Management Personnel:</i>					
Toby Chandler ²	208,869	-	-	208,869	-
Mark Morse	181,931	-	55,868	237,799	23.5%
	<u>664,557</u>	<u>6,891</u>	<u>183,008</u>	<u>854,456</u>	

Note 1: Alain Bouruet-Aubertot was issued with 500,000 shares as approved by shareholders at the 2018 Annual General Meeting.

Note 2: Toby Chandler resigned as a director on 1 May 2019 and appointed as Executive Vice President, Strategic Business on this date. Mr Chandler performed additional executive duties during the period in addition to his non-executive director fees.

**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

3 Employment Contracts of Directors and Senior Executives

Non-Executive Director Agreements - Todd Hoare, Gary Steinepreis

Fees: Directors fees of US\$44,104 (A\$64,000) per annum from 1 January 2019.

Flemming Bjoernslev ceased executive director duties on 12 March 2020 and is not currently being remunerated.

Additional Executive Duties: work undertaken on additional executive duties will be paid at a commercial rate based on the project undertaken and work required. This does not form part of the non-executive director fee.

Terms and conditions: The non-executive Directors' appointments are subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the directors are not re-elected as a director by Shareholders. The Non-Executive Agreements otherwise contains terms and conditions that are considered standard for agreements of this nature.

Todd Hoare - Performance rights remuneration, approved by shareholders, for a total of 150,000 performance rights to vest as follows, subject to remaining an Eligible Participant:

- 75,000 Class A performance rights - 30 day volume weighted average share price (VWAP) for the shares on ASX is \$0.60 or higher from the date of issue
- 75,000 Class B performance rights - 30 day VWAP for the shares on ASX is \$0.90 or higher from the date of issue

4 Performance Rights Remuneration

Flemming B. Bjoernslev was issued with a total of 4,300,000 performance rights, which were approved by shareholders. These rights vested during the period and converted into 1,300,000 ordinary shares and 3,000,000 were cancelled as employment conditions were not met.

Ordinary shareholdings

Details of equity instruments held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

2020 Name	Held at 1/7/2019	Shares acquired	Other changes	Balance 30/6/2020
Directors:				
Gary Steinepreis	3,240,436	9,404,721	-	12,645,157
Todd Hoare	1,165,000	1,710,565	-	2,875,565
Flemming B. Bjoernslev	-	1,300,000	-	1,300,000
Brian E. Joseph	7,187,500	1,410,935	(8,598,435) ¹	-
Key management personnel:				
Toby Chandler	7,027,777	1,500,000	(8,527,777) ¹	-
Mark Morse	-	-	-	-
Total	18,620,713	15,326,221	(17,126,212)	16,820,722

Note 1: Due to the resignation from the position, the ordinary shares are no longer reportable.

Other securities

Details of equity instruments held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

Performance rights:

2020 Name	Held at 1/7/2019	Other changes	Performance rights granted	Balance 30/6/2020	Vested & Unexercised	Unvested
Directors:						
Gary Steinepreis	-	-	-	-	-	-
Todd Hoare	150,000	-	-	150,000	-	150,000
Brian E. Joseph	500,000	(500,000) ¹	-	-	-	-
Flemming B. Bjoernslev	-	(4,300,000) ²	4,300,000	-	-	-
Key management personnel:						
Mark Morse	1,250,000	(1,250,000) ³	-	-	-	-
Toby Chandler	-	-	-	-	-	-
Total	1,900,000	(6,050,000)	4,300,000	150,000	-	150,000

Note 1: Brian Joseph's performance rights are no longer reportable as he is no longer a related party. The performance rights remain in place.

Note 2: Of the performance rights issued to Flemming Bjoernslev, 1,300,000 were converted to ordinary shares as the vesting conditions were met and 3,000,000 were cancelled as the employment condition was not met.

Note 3: Mark Morse's performance rights were cancelled due to his resignation.

Convertible notes:

2020 Name	Held at 1/7/2019	Convertible notes issued	Convertible notes redeemed	Balance 30/6/2020
Director:				
Gary Steinepreis	350,000	-	(350,000)	-
Key management personnel:				
Toby Chandler	100,000	-	(100,000)	-
Total	450,000	-	(450,000)	-

The Company has 3,690,690 options exercisable at A\$0.15 on or before 15 August 2022. Other than these unlisted options, no person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Options:

2020 Name	Held at 1/7/2019	Options acquired	Other changes	Balance 30/6/2020
Directors:				
Gary Steinepreis	-	500,000	-	500,000
Todd Hoare	-	97,500	-	97,500
Total	-	597,500	-	597,500

5 Other transactions with Key Management Personnel

Todd Hoare participated in a placement of A\$40,950 at an issue price of A\$0.105 and a 1 for 4 option and he and his nominee converted director and management fees of A\$71,000 due up to 30 June 2019, following shareholder approval. Todd Hoare also provided a converting loan of up to A\$51,550 which was approved for conversion at a meeting of shareholders at a price of A\$0.08 per share, being 644,375 ordinary shares.

Gary Steinepreis and associated entities, Oakhurst Enterprises Pty Ltd and LeisureWest Consulting Pty Ltd, participated in a placement of A\$210,000 at an issue price of A\$0.105 and a 1 for 4 option and converted director and management fees of A\$73,500 due up to 30 June 2019, following shareholder approval.

**CFOAM LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

Oakhurst Enterprises Pty Ltd provided funds to the Group in the amount of US\$76,830 (A\$111,490) for working capital on an unsecured and interest free basis which remains due and payable at the date of this report and also funds in the amount of A\$33,268 as an expense reimbursement for operational costs which sum was repaid. The working capital loan has increased to A\$150,000 in September 2020.

Touchstone Research Laboratory (Brian Joseph) also provided a converting loan of up to A\$150,000 which was approved for conversion at a meeting of shareholders at a price of A\$0.08 per share, being 1,875,000 ordinary shares.

On 20 December 2018, Gary Steinepreis via his nominee Oakhurst Enterprises Pty Ltd subscribed for US\$350,000 of convertible notes which were subsequently converted into ordinary shares following shareholder approval.

Brian Joseph was appointed as a director on 8 January 2019 and resigned on 16 December 2019. Brian Joseph is the sole shareholder of Touchstone Research Laboratory Ltd (TRL) and Touchstone Advanced Composites (TAC). TRL is the holder of the some of the secured promissory notes which were restructured during the year and a US\$100,000 repayment made through the issue of shares. Refer Note 11 and 12. TAC is the largest customer of CFOAM and sales during the period Brian Joseph was a director were US\$306,992, which included deferred revenue of US\$169,953 from 2019. TRL, TAC and CFOAM share premises and TRL have charged US\$58,358 for shared services during the period Brian Joseph was a director.

There have been no loans to Key Management Personnel.

End of the audited remuneration report.

A copy of the auditor's independence declaration as required by Section 307C of the Corporations Act 2001 is included in this Financial Report.

This report is made in accordance with a resolution of the Directors on 30 September 2020.



Gary Steinepreis
Director
Perth
30 September 2020

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF CFOAM LIMITED

As lead auditor of CFOAM Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CFOAM Limited and the entities it controlled during the period.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 30 September 2020

CFOAM LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30-June-20	30-June-19
		US\$	US\$
Revenue			
Revenue from operations		847,345	996,807
Other income		10,137	22,664
		857,482	1,019,471
Expenses			
Impairment loss – development asset	8	(1,434,053)	-
Raw materials and consumables used		(549,059)	(881,422)
Inventory writedown	6	(352,588)	(452,100)
Legal fees		(146,692)	(8,802)
Accounting and audit fees		(44,173)	(33,750)
Australian securities exchange fees		(48,670)	(37,064)
Travel and associated costs		(23,943)	(169,431)
Premises lease		(299,450)	(207,681)
Supplies		(57,122)	(123,758)
Other expenses		(538,585)	(599,359)
Foreign exchange loss		(209,628)	-
Phase II planning expenditure		-	(409,993)
Repairs and maintenance		(140,851)	(262,757)
Professional services		(335,667)	(463,406)
Employee salaries, consulting and benefits expense		(749,507)	(2,142,355)
Share based payments	15	(127,626)	(81,751)
Depreciation and amortisation expense		(1,014,161)	(829,505)
Finance costs		(260,223)	(248,722)
		(6,331,998)	(6,951,856)
Loss from continuing operations before income tax		(5,474,516)	(5,932,385)
Income tax expense	21	-	-
Loss from continuing operations after income tax		(5,474,516)	(5,932,385)
Other comprehensive loss, net of tax			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		303,492	(16,474)
Total comprehensive loss for the year		(5,171,024)	(5,948,859)
Total loss for the year is attributable to:			
Owners of CFOAM Limited		(4,517,939)	(5,932,385)
Non-controlling interests		(956,577)	-
		(5,474,516)	(5,932,385)
Loss per share for loss attributable to the owners of CFOAM Limited			
Basic loss per share	26	(\$0.03)	(\$0.05)
Diluted loss per share	26	(\$0.03)	(\$0.05)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CFOAM LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	30-June-20 US\$	30-June-19 US\$
ASSETS			
Current assets			
Cash and cash equivalents	18	418,118	240,775
Trade and other receivables	5	81,556	259,024
Inventories	6	760,019	1,031,707
Total current assets		1,259,693	1,531,506
Non-current assets			
Property, plant and equipment	7	5,268,645	5,888,029
Right of use assets		101,188	-
Intangibles	8	2,500,000	4,282,913
Total non-current assets		7,869,833	10,170,942
TOTAL ASSETS		9,129,526	11,702,448
LIABILITIES			
Current Liabilities			
Trade and other payables	9	332,222	993,102
Contract liability - deferred revenue		-	169,953
Lease liability		47,429	-
Borrowings	10	976,738	1,337,805
Total current liabilities		1,356,389	2,500,860
Non-current liabilities			
Lease liability		56,489	-
Borrowings	11	3,279,040	7,270,580
Total non-current liabilities		3,335,529	7,270,580
TOTAL LIABILITIES		4,691,918	9,771,440
NET ASSETS		4,437,608	1,931,008
EQUITY			
Issued capital	12	17,359,740	13,229,322
Non-controlling interests	14	1,193,382	-
Reserves	13	1,773,176	72,437
Accumulated losses	19	(15,888,690)	(11,370,751)
TOTAL EQUITY		4,437,608	1,931,008

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CFOAM LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

Consolidated	Issued capital US\$	Reserves US\$	Accumulated losses US\$	Total US\$	Non- controlling interests US\$	Total equity US\$
Balance at 1 July 2019	13,229,322	72,437	(11,370,751)	1,931,008	-	1,931,008
Loss after income tax expense for the year	-	-	(4,517,939)	(4,517,939)	(956,577)	(5,474,516)
Other comprehensive income for the year, net of tax	-	303,492	-	303,492	-	303,492
Total comprehensive income for the year	-	303,492	(4,517,939)	(4,214,447)	(956,577)	(5,171,024)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity	4,167,587	-	-	4,167,587	-	4,167,587
Costs of contributions of equity	(37,169)	-	-	(37,169)	-	(37,169)
Transactions with Non-controlling interest	-	1,350,041	-	1,350,041	2,149,959	3,500,000
Share-based payments	-	47,206	-	47,206	-	47,206
Balance at 30 June 2020	<u>17,359,740</u>	<u>1,773,176</u>	<u>(15,888,690)</u>	<u>3,244,226</u>	<u>1,193,382</u>	<u>4,437,608</u>

Consolidated	Issued capital US\$	Reserves US\$	Accumulated losses US\$	Total equity US\$
Balance at 1 July 2018	13,078,310	13,959	(5,438,366)	7,653,903
Loss after income tax expense for the year	-	-	(5,932,385)	(5,932,385)
Other comprehensive income for the year, net of tax	-	(16,474)	-	(16,474)
Total comprehensive loss for the year	-	(16,474)	(5,932,385)	(5,948,859)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	168,452	-	-	168,452
Costs of contributions of equity	(17,440)	-	-	(17,440)
Share based payments	-	74,952	-	74,952
Balance at 30 June 2019	<u>13,229,322</u>	<u>72,437</u>	<u>(11,370,751)</u>	<u>1,931,008</u>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CFOAM LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30-June-20 US\$	30-June-19 US\$
Cash flows from operating activities			
Receipts from customers		682,910	1,298,437
Payments to suppliers and employees		(3,380,694)	(5,593,856)
Interest received		112	2,064
Interest and other finance costs paid		(260,233)	(248,722)
		<hr/>	<hr/>
Net cash used in operating activities	18	<u>(2,957,905)</u>	<u>(4,542,077)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(798,802)
		<hr/>	<hr/>
Net cash used in investing activities		<u>-</u>	<u>(798,802)</u>
Cash flows from financing activities			
Proceeds from the issue of shares including converting loan		1,699,482	106,342
Costs of the offer		(37,169)	(17,440)
Proceeds from CONSOL investment		3,500,000	-
Repayment of convertible note		(3,250,000)	
Proceeds from issue of convertible notes		-	5,414,000
Repayment of borrowings		(247,295)	(3,243,580)
Proceeds from Paycheck Protection Program (PPP)		293,400	-
Proceeds from borrowings		1,176,830	1,443,240
		<hr/>	<hr/>
Net cash provided by financing activities		<u>3,135,248</u>	<u>3,702,562</u>
Net decrease in cash and cash equivalents		177,343	(1,638,317)
Cash and cash equivalents at the beginning of the financial year		240,775	1,879,092
Effects of exchange rate changes on cash and cash equivalents		-	-
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	18	<u><u>418,118</u></u>	<u><u>240,775</u></u>

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of CFOAM Limited and its wholly owned subsidiary, CFOAM, LLC (**Group**) for the year ended 30 June 2020.

The separate financial statements of the parent entity, CFOAM Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 30 September 2020 by the directors of the Company.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Comparative information

This report presents the financial information for the year ended 30 June 2020 and comparative information for the year ended 30 June 2019.

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in United States dollars, which is the functional currency of CFOAM, LLC, from 1 July 2016.

a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (CFOAM Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has a 75% investment in CFOAM Corp which has one wholly owned subsidiary being CFOAM LLC.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

b) Going concern

For the year ended 30 June 2020 the Group recorded a loss from continuing operations after income tax of US\$5,474,516 (2019: US\$5,932,385) and had net cash outflows from operating activities of US\$2,957,905 (2019: US\$4,542,077) and net current liabilities of US\$96,696 (2019: net current liabilities of US\$969,353).

In addition to above, the Company's subsidiary (CFOAM LLC) has a finance facility with Summit Community Bank (Summit) as disclosed in Note 11. For the year ended 30 June 2020, this facility contained a covenant requiring a certain debt service coverage ratio to be maintained which was not complied with for the financial year ended 30 June 2020. Failure to be in compliance with this covenant provides Summit with the option of applying penalty interest rates along with other default options. At the date of this report, this matter remains in negotiation between the Group and Summit.

The ability of the Group to continue as a going concern is dependent on maintaining the support of its financiers, continued sales of CFOAM's product and securing additional funding through raising of debt or equity to continue to fund the development activities and expansion of its business platform.

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have reviewed the Group's financial position and are of the opinion that there are sufficient funds to meet the entity's working capital requirements and as at the date of this report.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors expect to resolve the non-compliance with the covenant on the Summit facility with the financier and to maintain the facility as all payments have been made in line with the facility agreement;
- The Company's subsidiary (CFOAM CORP) expects to maintain the ongoing support of its shareholders including CFOAM Ltd and CONSOL Energy as evidenced by the proposed funding arrangements as outlined in Note 24 Events subsequent to balance date;
- The Company's subsidiary CFOAM CORP has entered into an agreement with its shareholders to raise additional capital. Refer to Note 24 Events subsequent to balance date;
- CFOAM LLC has applied for a financial assistance and funding opportunity (FOA) proposal with the potential to fund process development work over a 24 month period, which a decision is expected in October 2020;
- Directors have agreed to not call on accrued director fees until such time as additional funding has been obtained and provide ongoing support to enable the group to continue as a going concern;
- At the date of this report the Group has not received any letters of demand from creditors and expects to work with creditors to enable settlement in accordance with working capital availability;
- Included in current borrowings is US\$293,400 relating to the Paycheck Protection Program, refer Note 10, the Directors expect the Group to comply with all conditions attached to this funding and therefore the liability recognised will be forgiven with no cash outlay required by the Group;

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

- The directors expect the Group to be successful in securing additional funds through debt or equity issues, when and if required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

c) *New, revised or amending Accounting Standards and Interpretations adopted*

A number of new or amended standards became applicable for the current reporting period and CFOAM Limited had to change its accounting policies as a result of adopting the following standard:

- AASB 16 Leases

The assessment of the impact of AASB 16 standard resulted in the below adjustments. Refer to revised accounting policies in the Change in Accounting Policy Note below.

Impact of AASB 16 Leases - Adoption of new and revised accounting standards

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019. The group has adopted AASB 16 from 1 July 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(i) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The incremental borrowing rate applied to the lease liabilities was 5%.

	1-Jul-19
	\$
Operating lease commitments disclosed as at 30 June 2019	98,400
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(10,098)
Add: New leases entered into during the period	-
Lease liability recognised as at 1 July 2019	88,302
of which are:	
Current lease liabilities	27,429
Non-current lease liabilities	60,873
	88,302

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June-20	1-Jul-19
	\$	\$
Properties	101,188	88,302
Total right-of-use assets	101,188	88,302

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets – increase by \$88,302
- Current lease liabilities – increase by \$27,429
- Non-current lease liabilities – increase by \$60,873

(ii) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(iii) The group's leasing activities and how these are accounted for

The Group leases one office/warehouse location with a fixed period of 5 years but may have extension options as described in (iv) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. No lease payments made during the half-year were optional.

(v) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

e) Trade and other payables

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the Group that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

f) Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. A probability of the achievement of performance conditions is assigned and the share based payment expense is recognised over the estimated vesting period. The accounting estimates and assumptions relating to equity-settled share based payments may impact profit or loss and equity.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of costs incurred per manufacturing run and resulting CFOAM panels produced and then assessed against the lower of cost and net realisable value where adjustments in the value of the inventory are made on a monthly basis.

h) Intangible assets

Intangible assets acquired, other than goodwill, are initially measured at their relative fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. The development asset is amortised over a useful life of 15 years and customer contract over a 12 month period.

i) Revenue and other income

Revenue is recognised when or as the Group transfers control of goods and services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

The primary geographic market in which the Group generates revenue is the United States of America.

Sale of goods – Revenue from the sale of goods is recognised at a point in time where the goods are delivered, the legal title has passed and the customer has accepted the goods, which is generally the time of delivery.

In the instance where cash is received from the customer prior to control of the goods being transferred, a deferred revenue balance is recognised as a liability on the balance sheet until the point at which control has passed and the revenue can be recognised. All revenue is stated net of the amount of sales tax.

j) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit and Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

k) Property, plant and equipment

The Company records Assets under Construction and the depreciation of these items commences when the asset is commissioned.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office equipment	1-5 years
Plant and equipment	10-15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

l) Borrowings and Borrowing Costs

Loans and borrowings, including promissory notes, are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible securities were issued by the Company to raise funds for the business operations which includes embedded derivatives (option to convert the security to variable number of shares in the Company). The convertible security is recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible security will equate to the proceeds received and subsequently the liability is measured at fair value each reporting period. The fair value movements are recognised on the profit or loss as finance costs. General and specific borrowing costs that are directly attributable to Assets under Construction are capitalised during the period of time until the asset is commissioned and operating at normal capacity.

Other borrowing costs are expensed in the period in which they are incurred.

m) Financial Instruments

Classification

From 1 July 2018 the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income or expenses and impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income or expenses in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other income or expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 July 2018 the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology depends on whether there has been a significant increase in credit risk.

n) Issued Capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

o) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

p) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

q) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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r) Foreign Currency Translation

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at the average exchange rate for the period being reported on; and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in the foreign currency translation reserve, if material. When a foreign operation is sold, the associated exchange differences are reclassified to the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

s) Trade & other receivables

Trade and other receivables are recognised at amortised cost using the effective interest rate method, less any allowance for expected credit losses.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9 to determine any allowances for expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience. The amounts held in trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these trade and other receivables, it is expected that the amounts will be received when due.

t) Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

u) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of CFOAM Limited.

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2020

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 30 June 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(a) New Accounting Standard for Application in Future Periods

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted: however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Share based payments

The group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. A probability of the achievement of performance conditions is assigned and the share based payment expense is recognised over the estimated vesting period. The accounting estimates and assumptions relating to equity-settled share based payments may impact profit or loss and equity.

Intangibles

The development asset being the CFOAM product was acquired as part of the asset acquisition (note 5). The intangible is subsequently amortised on a straight line basis over its estimated useful life. The group estimates the useful life of the asset to be 15 years. The actual useful life may be shorter or longer than 15 years, depending on the technical innovations and competitor actions.

Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit and Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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Inventory

The Group has allowed for an inventory reserve which represents an estimate of re-work costs to existing work-in-progress billet units and a general write-down. A percentage of completion method was used to value Work in Progress inventory. As in the past, a total cost per unit is calculated. This cost is then applied to the inventory on a percentage of completion basis. Depending on the manufacturing state that the material is in, its supplied a percentage of completion. The calculated cost is then applied to the inventory using its percentage of completion, thus properly valuing the inventory as it progresses through the manufacturing process.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The Group is organised into one operating segment, being the operation of production of CFOAM. This is based on the Internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

Geographical information

All sales and non-current assets are based in the USA.

Revenue Recognition:

Disaggregation of Revenue.

All revenue recognised during the period was recognised at a point in time for the sale of products. All revenue recorded related to sales in USA.

The Group recorded sales to Touchstone Advanced Composites during the period Brian Joseph was a director of US\$306,992 which included deferred revenue of US\$169,953.

NOTE 5. CURRENT ASSETS

TRADE AND OTHER RECEIVABLES	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Prepayments	34,277	87,467
Trade and other receivables	47,279	171,557
	<u>81,556</u>	<u>259,024</u>

As at 30 June 2020 no trade or other receivables were significantly aged or impaired (2019:Nil). Refer to Note 20 for information on the Financial Risk Management Policy of the Company.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6. CURRENT ASSETS

INVENTORIES	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Finished goods	601,701	515,443
Raw materials	34,130	61,536
Work in progress	124,188	454,728
	<u>760,019</u>	<u>1,031,707</u>

Note:

- (i) There are no interest or finance costs included in inventories.
- (ii) Amounts recognised in profit and loss – write-downs of inventories to net realisable value amounted to \$352,588 (2019-\$452,100). These were recognised as an expense during the period during the year ended 30 June 2020 and included in the profit or loss.

NOTE 7. NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Assets in course of construction	<u>168,367</u>	<u>451,471</u>
Plant and equipment - at cost	6,557,789	6,275,948
Less: Accumulated depreciation	<u>(1,510,055)</u>	<u>(933,084)</u>
	<u>5,047,734</u>	<u>5,342,864</u>
Manufacturing use assets - at cost	205,751	205,751
Less: Accumulated depreciation	<u>(153,207)</u>	<u>(112,057)</u>
	<u>52,544</u>	<u>93,694</u>
Total property, plant and equipment - at cost	6,931,907	6,933,170
Less: Accumulated depreciation	<u>(1,663,262)</u>	<u>(1,045,141)</u>
	<u>5,268,645</u>	<u>5,888,029</u>

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Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Assets in course of construction US\$	Plant and equipment US\$	Manufacturing use US\$	Total US\$
Balance at 1 July 2019	451,470	5,342,865	93,694	5,888,029
Additions	-	-	-	-
Disposals/Transfers	(283,103)	281,841	-	(1,263)
Depreciation expense	-	(576,971)	(41,150)	(618,121)
Balance at 30 June 2020	168,367	5,047,734	52,544	5,268,645

Consolidated	Assets in course of construction US\$	Plant and equipment US\$	Manufacturing use US\$	Total US\$
Balance at 1 July 2018	2,911,792	2,523,237	134,845	5,569,874
Additions	792,421	6,381	-	798,802
Disposals/Transfers	(3,252,743)	3,252,743	-	-
Depreciation expense	-	(439,496)	(41,151)	(480,647)
Balance at 30 June 2019	451,470	5,342,865	93,694	5,888,029

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FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8. INTANGIBLES

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Development asset - at cost	5,232,900	5,232,900
Less: Impairment loss – note (a)	(1,434,053)	-
Less: Accumulated amortisation	<u>(1,298,847)</u>	<u>(949,987)</u>
	<u>2,500,000</u>	<u>4,282,913</u>

Note (a) The Board views the Group as one CGU (CFOAM CGU), the Board has determined the recoverable amount of the CFOAM CGU by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The method applied was the market approach based on the current market capitalisation (number of shares on issue multiplied by the quoted market price per share on a VWAP (Volume Weighted Average Price) basis) of the Group on the Australian Securities Exchange (ASX).

The recoverable value is a Level 1 measurement based on observable inputs of publicly traded shares in an active market. At 30 June 2020, the value of the Group's net assets exceeded this recoverable amount, and accordingly, an impairment expense of US\$1,434,053 has been recognised for the year. This impairment expense is recognised in the financial statements by reducing the value of the Group's Intangible Asset – Development Asset. This impairment expense is recognised as an individual line item on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Development Asset US\$
Consolidated	
Balance at 1 July 2019	4,282,913
Impairment	(1,434,053)
Amortisation expense	<u>(348,860)</u>
Balance at 30 June 2020	<u><u>2,500,000</u></u>

	Development Asset US\$
Consolidated	
Balance at 1 July 2018	4,631,773
Amortisation expense	<u>(348,860)</u>
Balance at 30 June 2019	<u><u>4,282,913</u></u>

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The Development Asset refers to the acquired business assets for the production and sales of CFOAM including but not limited to the acquired patents (Intellectual Property Assets), all permits, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer inquiry files, research and development files, records and data, sales material and records, strategic plans, internal financial statements, marketing and promotional surveys all relating to the business.

NOTE 9. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Trade creditors	95,306	530,855
Accruals	236,916	462,247
	<u>332,222</u>	<u>993,102</u>

NOTE 10. CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Loan from related party – unsecured	76,830	-
Paycheck Protection Program (PPP) – unsecured	293,400	-
Loans payable – secured	606,508	174,823
Promissory notes – secured	-	1,162,982
	<u>976,738</u>	<u>1,337,805</u>

Gary Steinepreis and associated entity, Oakhurst Enterprises Pty Ltd provided funds to the Group of US\$76,830 which is repayable in Australian dollars (A\$111,490) for working capital on an unsecured and interest free basis which remains due and payable at the date of this report.

The PPP is a US government backed loan related to COVID-19 measures. The Group confirms that this loan will be forgiven if certain criteria are met. The Group believes that it has met these criteria but formal notification will not occur for up to 6 months.

Refer to note 11 for further information on assets pledged as security and financing arrangements.

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NOTE 11. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Convertible notes – unsecured – note (a)	-	5,488,131
Loans payable – secured – note (c)	2,067,222	1,562,166
Promissory notes – secured – note (b)	1,211,818	220,283
	<u>3,279,040</u>	<u>7,270,580</u>

Note (a) Convertible notes - unsecured:

The Company repaid the convertible notes on 5 December 2019, 10 February 2020 and 20 April 2020 either by way of cash or equity settled via the issue of ordinary shares with an early repayment offer (refer Note 12).

The principal terms were as follows:

- a) Term: The Convertible Notes were issued on the various Subscription Dates between 9 November 2018 and 29 March 2019 and can be converted or otherwise redeemed within 36 months of issue (**Repayment Date**).
- b) Conversion price: Each Convertible Note will be convertible into Shares at a conversion price equal to A\$0.18 per Share to satisfy the Face Value of the Notes in USD at the election of the Subscriber as follows:
 - i. using the exchange rate set at the Subscription Date; or
 - ii. the exchange rate set at the date of the Prepayment Notice or the Conversion Notice, with the exchange rate to be not less than A\$1.00 = USD\$0.50.
- c) Interest:
 - i. Interest is payable on the Principal Amount from the Subscription Date until Repayment Date, unless the Convertible Notes are either redeemed or converted into Shares at a rate of 4% per annum (**Interest Rate**).
 - ii. Interest will be calculated monthly and payable six monthly in arrears (**Interest Payment Date**), accruing daily on the basis of a year of 365 days.
 - iii. Interest must be paid by the Company to the Subscriber no later than 10 Business Days after the relevant Interest Payment Date.
 - iv. The Subscriber may elect for the interest to be compounded on a six month basis. For the avoidance of doubt, if the Subscriber elects to compound the interest then this amount is added to the Principal Amount
- d) Conversion:

After a fixed period of 12 months and at each 6 month period end thereafter and prior to the Repayment Date, at the election of the Subscriber by written notice to the Company (**Conversion Notice**), the Convertible Notes may be converted in whole or in part into Shares at the Conversion Price (the **Conversion Shares**).
- e) Redemption

Where any Convertible Notes remain not converted or redeemed on the Repayment Date, the Convertible Notes will be redeemed for their Face Value (plus any unpaid interest) as at the Repayment Date (**Noteholding Balance**).

The convertible notes also contain standard terms for early redemption, non-subordination and actions in the event of default.

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Note (b) 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 period and now interest is only payable on a monthly basis and principal on 30 June 2022.
- (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 period and any accrued interest and principal is due and payable on 31 December 2021. In addition, for the term of the promissory note, the parties have agreed that certain specified density and thickness foam may be purchased by Touchstone at an agreed price and that, in lieu of cash payment, the purchase price for any such foam shall be applied to further reduce the principal amount of the promissory note.

The promissory notes can be summarised as follows:

	Original US\$800,000	Original \$4,000,000	Balance at 30 June 2020 US\$
30 June 2020			
Promissory note-current	-	-	-
Promissory note - non-current	403,098	808,720	1,211,818
	<u>403,098</u>	<u>808,720</u>	<u>1,211,818</u>

	Original US\$800,000	Original \$4,000,000	Balance at 30 June 2019 US\$
30 June 2019			
Promissory note-current	163,226	999,756	1,162,982
Promissory note - non-current	220,283	-	220,283
	<u>383,509</u>	<u>999,756</u>	<u>1,383,265</u>

Note (c) Loans payable – secured:

	Current	Non-current	Balance at 30 June 2020	Total Facility	Interest rate
30 June 2020			US\$	US\$	
Secured loan - West Virginia Economic Development Authority (WVEDA)	107,078	954,633	1,061,711	1,200,000	3.46%
Secured loan – CONSOL Energy Inc.	-	1,112,589	1,112,589	1,100,000	2.00%
Secured loan – Summit Community Bank	499,430	-	499,430	600,000	6.49%
	<u>606,508</u>	<u>2,067,222</u>	<u>2,673,730</u>	<u>2,900,000</u>	

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30 June 2019	Current	Non-current	Balance at 30 June 2019	Total Facility	Interest rate
			US\$	US\$	
Secured loan - West Virginia Economic Development Authority (WVEDA)	103,446	1,062,873	1,166,320	1,200,000	3.46%
Secured loan – Summit Community Bank	71,377	499,293	570,670	600,000	6.58%
	<u>174,823</u>	<u>1,562,166</u>	<u>1,736,990</u>	<u>1,800,000</u>	

The loans payable to WVEDA is due on 14 February 2029 and Summit Community Bank is due on 1 February 2026 and are secured over the 2016 Assets, which are the assets originally purchased under the Asset Purchase Agreement of 2016, not claimed by the promissory notes security and secured over the Phase 1 assets.

The loan to CONSOL Energy Inc is due on 6 December 2022 and secured by a CFOAM Corp lien over its equity interests in CFOAM LLC and in accordance with the intercreditor agreement where it ranks behind the promissory notes and WVEDA and Summit Community Bank.

Loan Covenants

Under the terms of Summit Community Bank (Summit) borrowing facility, CFOAM LLC is required to comply with a debt service coverage ratio of at least 1.20:1.00 assessed on a trailing 12 month basis. In the event of non-compliance with this covenant Summit has the option to consider this an event of default and failure to cure provides Summit the option to increase the interest rate applicable to the facility by 1% or any other default option available to Summit.

This covenant is required to be assessed for the first time for the year ending 30 June 2020. While CFOAM has not yet lodged its compliance certificate with the bank it is not expected to comply with this covenant as at 30 June 2020. As a result, the entire balance of the facility has been classified as current in the statement of financial position.

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NOTE 12. ISSUED CAPITAL

		Consolidated		
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Shares	Shares	US\$	US\$
Ordinary shares - fully paid (US\$)	192,174,026	117,388,961	17,359,740	13,229,322
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	US\$
Balance	1 July 2018	116,207,143		13,078,310
Issue of shares	24 December 2018	500,000	US\$0.124	62,110
Issue of shares	20 March 2019	681,818	US\$0.156	106,342
Cost of the contribution of capital				(17,440)
Balance	30 June 2019	<u>117,388,961</u>		<u>13,229,322</u>
Balance	1 July 2019	117,388,961		13,229,322
Issue of shares-placement	17 September 2019	10,839,429	US\$0.072	780,577
Issue of shares-performance rights	17 September 2019	350,000	US\$0.072	25,204
Issue of shares-placement	26 September 2019	1,133,333	US\$0.071	80,342
Issue of shares-cleansing	30 September 2019	1,000	US\$0.071	71
Issue of shares-director and related party	18 November 2019	2,400,000	US\$0.072	171,843
Issue of shares-loan repayment	5 December 2019	1,410,935	US\$0.071	100,000
Issue of shares-director	9 December 2019	390,000	US\$0.072	27,969
Issue of shares-converting loan	9 December 2019	8,281,250	US\$0.055	452,496
Issue of shares-convertible note	9 December 2019	1,060,000	US\$0.055	57,625
Issue of shares-cleansing	30 December 2019	1,000	US\$0.056	56
Issue of shares-convertible note	10 February 2020	15,349,280	US\$0.12	1,844,089
Issue of shares-convertible note (a)	10 February 2020	19,186,600	US\$0.00	-
Issue of shares-cleansing	20 April 2020	1,000	US\$0.051	51
Issue of shares-convertible note	20 April 2020	2,979,876	US\$0.115	341,847
Issue of shares-convertible note (a)	20 April 2020	3,724,845	US\$0.00	-
Issue of shares-conversion of fees	20 April 2020	4,157,142	US\$0.025	105,977
Issue of shares-performance rights	20 April 2020	1,000,000	US\$0.051	50,986
Issue of shares-converting loan	20 April 2020	2,519,375	US\$0.051	128,453
Cost of the contribution of capital				(37,169)
Balance	30 June 2020	<u>192,174,026</u>		<u>17,359,740</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Note (a) An agreement was reached with the Convertible Noteholders, that the Noteholder agreed to convert all its principal and interest relating to the Convertible Notes issued by the Company on the basis that the Noteholder would receive an additional 1.25 shares for every share converted at a nil issue price.

The Company also issued a total of 3,690,690 options exercisable at A\$0.15 on or before 15 August 2022 on a 1 for 4 basis as part of the placement at A\$0.105 during the period.

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NOTE 13. RESERVES

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Equity reserve – non-controlling interests (note 14)	1,350,041	-
Share based payment reserve – performance rights	225,161	177,955
Foreign currency reserve	197,974	(105,518)
	<u>1,773,176</u>	<u>72,437</u>

Movements in reserves

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Share based payment reserve – performance rights		
Balance at beginning of period	177,955	103,003
Share based payment expense for the period	47,206	74,952
Balance at the end of the period	<u>225,161</u>	<u>177,955</u>

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Foreign currency reserve		
Balance at beginning of period	(105,518)	(89,044)
Movement for the period	303,492	(16,474)
Balance at the end of the period	<u>197,974</u>	<u>(105,518)</u>

Nature and Purpose of Reserves

(1) Equity reserve – non-controlling interests

The equity reserve represents a change in ownership interest, being the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid.

(2) Share based payment reserve – performance rights

The share based payment reserve is used to recognise the fair value of performance rights issued to employees but not converted into ordinary shares. The reserve is recognised in contributed equity when and if the relevant milestone is attained within the specified period and as a result the performance rights concerned convert to ordinary shares.

(3) Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to United States dollars.

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NOTE 14. NON-CONTROLLING INTERESTS

On 6 December 2019, CONSOL Energy Inc (CONSOL) acquired a 25% interest in the Group's US operations, via CFOAM Corp which is the holding company for CFOAM LLC, whose operations are in Triadelphia, West Virginia. CONSOL provided cash consideration of \$3.5 million for the 25% interest. The group recognised an increase in non-controlling interests of \$2,149,959, representing 25% of the net assets of the Group's US operations and an increase in the equity reserve of \$1,350,041. The accounting for this transaction is in accordance with the accounting policy outlined in Note 1.

This is summarised as follows:

	30 June 2020
	US\$
Equity reserve – non-controlling interests (note 13)	1,350,041
Non-controlling interest	<u>2,149,959</u>
Consideration received from CONSOL	<u><u>3,500,000</u></u>
	30 June 2020
	US\$
Non-controlling interest in CONSOL's initial investment	2,149,959
Share of loss for period	<u>(956,577)</u>
Non-controlling interest at 30 June 2020	<u><u>1,193,382</u></u>
Summarised balance sheet of CFOAM Corp and CFOAM LLC:	
	30 June 2020
	US\$
Current assets	1,245,592
Current liabilities	<u>1,116,896</u>
Current net assets	<u>128,696</u>
Non-current assets	7,869,833
Non-current liabilities	<u>3,335,529</u>
Non-current net assets	<u>4,535,304</u>
Net assets	<u><u>4,663,000</u></u>
Summarised statement of comprehensive income of CFOAM Corp and CFOAM LLC:	
	30 June 2020
	US\$
Revenue from operations	847,345
Loss for the period	(4,902,392)
Other comprehensive loss	<u>-</u>
Total comprehensive loss	<u><u>(4,902,392)</u></u>
Loss allocated to non-controlling interest	<u>956,577</u>

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15 SHARE BASED PAYMENTS

During the period, the Company issued various performance rights and options to directors, consultants and staff. The performance rights and options are a performance-based remuneration incentive which provides the opportunity for the participant to become a shareholder in the Company and deliver long-term shareholder returns.

2020	Milestone	Number	Amount expensed US\$	Total fair value US\$	Share price at grant date US\$	Probability
Performance rights						
Employee Incentive plan	-	200,000	6,648	39,291	0.117	-
Employee Incentive plan	-	375,000	14,102	14,102	0.038	-
Approved by shareholders						
Performance rights issued and converted to ordinary shares		1,300,000 (1,300,000)	83,939	83,939	0.065	-
Performance Rights	A	75,000	1,107	5,540	0.257	-
Performance Rights	B	75,000	232	1,158	0.257	-
Performance Rights	E	166,666	-	37,492	0.257	-
Performance Rights	F	166,667	9,615	37,493	0.257	-
Performance Rights	G	166,667	11,983	37,493	0.257	-
Balance at 30 June 2020		1,225,000	127,626	256,508		
2019						
Performance rights	Milestone	Number	Amount expensed US\$	Total fair value US\$	Share price at grant date US\$	Probability
Employee Incentive plan	-	450,000	33,344	53,770	0.117	-
Approved by shareholders						
Performance Rights	A	825,000	(5,672)	65,721	0.257	20%
Performance Rights	B	825,000	(1,186)	13,742	0.257	20%
Performance Rights	C	500,000	(415)	3,621	0.257	20%
Performance Rights	D	500,000	(208)	1,810	0.257	20%
Performance Rights	E	166,666	19,337	40,434	0.257	-
Performance Rights	F	166,667	18,785	40,434	0.257	-
Performance Rights	G	166,667	12,765	40,434	0.257	-
Performance Rights	H	100,000	(19,690)	-	0.257	-
Performance Rights	I	120,000	(12,315)	-	0.257	-
Performance Rights	J	150,000	(9,388)	-	0.257	-
Performance Rights	K	180,000	(5,467)	-	0.257	-
Performance Rights	L	300,000	(4,005)	-	0.257	-
Performance Rights	M	300,000	13,408	36,772	0.095	-
Performance Rights	N	300,000	13,408	36,772	0.095	-
Performance Rights	A1	675,000	14,525	82,736	0.095	-
Performance Rights	B1	675,000	14,525	82,736	0.095	-
Performance Rights	C1	150,000	-	18,386	0.095	-
Performance Rights	D1	150,000	-	18,386	0.095	-
Balance at 30 June 2019		6,700,000	81,751	535,755		
Employee share options						
Employee share options	Milestone	Number	Amount expensed US\$	Total fair value US\$	Share price at grant date A\$	Volatility
Employee Incentive option plan	Exercise price A\$0.295 on or before 2 January 2023	135,000	-	812	0.18	20%

CFOAM LIMITED
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FOR THE YEAR ENDED 30 JUNE 2020

Issued during the period

During the year and following shareholder approval, 4,300,000 performance rights were issued to Flemming Bjoernslev and subsequently 1,300,000 were converted to ordinary shares as the milestone was achieved with 3,000,000 cancelled as the employment condition was not met. A further 375,000 employee share incentives were also issued. Various other performance rights were forfeited due to the employment condition not being met.

Milestone: (each a Vesting Condition)

- (i) **(Class A):** Class A Performance Rights shall vest and become exercisable on and from the date the Company's 30 day Volume Weighted Average Share Price (**VWAP**) on the ASX is equal or greater than \$0.60 from the date of issue.
- (ii) **(Class B):** Class B Performance Rights vest and become exercisable on and from the date the Company's 30 day VWAP on the ASX is equal or greater than \$0.90 from the date of issue.
- (iii) **(Class E):** Class E Performance Rights vest and become exercisable on and from 15 January 2019.
- (iv) **(Class F):** Class F Performance Rights vest and become exercisable on and from 15 January 2020.
- (v) **(Class G):** Class G Performance Rights vest and become exercisable on and from 15 January 2021.

Lapse

If the Vesting Condition is not achieved by the required date or the Conversion Notice not given to the Company by the required date or the Holder is no longer an Eligible Participant, then the relevant Performance Right will automatically lapse.

NOTE 16: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2020 (2019: nil).

NOTE 17. RELATED PARTY TRANSACTIONS

Todd Hoare participated in a placement of A\$40,950 at an issue price of A\$0.105 and a 1 for 4 option and he and his nominee converted director and management fees of A\$71,000 due up to 30 June 2019, following shareholder approval. Todd Hoare also provided a converting loan of up to A\$51,550 which was approved for conversion at a meeting of shareholders at a price of A\$0.08 per share, being 644,375 ordinary shares.

Gary Steinepreis and associated entities, Oakhurst Enterprises Pty Ltd and LeisureWest Consulting Pty Ltd, participated in a placement of A\$210,000 at an issue price of A\$0.105 and a 1 for 4 option and converted director and management fees of A\$73,500 due up to 30 June 2019, following shareholder approval.

Oakhurst Enterprises Pty Ltd provided funds to the Group in the amount of US\$76,830 (A\$111,490) for working capital on an unsecured and interest free basis which remains due and payable at the date of this report and also funds in the amount of A\$33,268 as an expense reimbursement for operational costs which sum was repaid. The working capital loan has increased to A\$150,000 in September 2020.

Touchstone Research Laboratory (Brian Joseph) also provided a converting loan of up to A\$150,000 which was approved for conversion at a meeting of shareholders at a price of A\$0.08 per share, being 1,875,000 ordinary shares.

On 20 December 2018, Gary Steinepreis via his nominee Oakhurst Enterprises Pty Ltd subscribed for US\$350,000 of convertible notes which were subsequently converted into ordinary shares following shareholder approval. Refer to Note 11.

CFOAM LIMITED
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FOR THE YEAR ENDED 30 JUNE 2020

Brian Joseph was appointed as a director on 8 January 2019 and resigned on 16 December 2019. Brian Joseph is the sole shareholder of Touchstone Research Laboratory Ltd (TRL) and Touchstone Advanced Composites (TAC). TRL is the holder of the some of the secured promissory notes which were restructured during the year and a US\$100,000 repayment made through the issue of shares. Refer Note 11 and 12. TAC is the largest customer of CFOAM and sales during the period Brian Joseph was a director were US\$306,992, which included deferred revenue of US\$169,953 from 2019. TRL, TAC and CFOAM share premises and TRL have charged US\$58,358 for shared services during the period Brian Joseph was a director.

CFOAM, LLC is a 75% owned subsidiary of CFOAM via CFOAM Corp. Transactions between the entities are eliminated upon consolidation.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

Services provided by directors and key management personnel and recognised as an expense	Consolidated	
	30 June 2020 US\$	30 June 2019 US\$
Short term employee benefits	370,058	664,557
Post-employment benefits	-	6,891
Share based payments	80,064	183,008
	450,122	854,456

Detailed remuneration disclosures with regard to the amounts paid to directors are provided in the audited remuneration report in the directors' report.

NOTE 18. CASH AND CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the period

	Consolidated	
	30 June 2020 US\$	30 June 2019 US\$
Cash at bank and in hand	418,118	240,775

(b) Reconciliation of net loss after income tax to net cash flows used in operating activities

	Consolidated	
	30 June 2020 US\$	30 June 2019 US\$
Net loss after income tax	(5,474,516)	(5,932,385)
Depreciation and amortisation	1,014,161	829,507
Shares issued for non-cash consideration	105,978	62,110
Share based payments	123,396	74,951
Impairment expense	1,434,053	-
Inventory provision	-	452,100
Foreign currency reserve	-	(16,474)
Changes in assets and liabilities:		
Decrease in inventory	271,688	285,215
Increase (Decrease) in prepayments and other receivables	176,761	(76,878)
Increase (Decrease) in trade and other payables	(609,426)	350,207
Net cash flows used in operating activities	(2,957,905)	(4,542,077)

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

(c) Reconciliation of cash and non-cash movements in liabilities arising from financing activities

	2019	Cash flows	Non-cash changes			2020
			Accruals	Issue of shares	Fair value changes	
Total Loans payable	1,736,989	1,294,382	12,589	-	-	3,043,960
Total Promissory note	1,383,265	(71,447)	-	(100,000)	-	1,211,818
Non-current Convertible notes	5,488,131	(3,250,000)	-	(2,238,131)	-	-
Total liabilities from financing liabilities	8,608,385	(2,027,065)	12,589	(2,338,131)	-	4,255,778

NOTE 19. ACCUMULATED LOSSES

	Consolidated	
	30 June 2020	30 June 2019
	US\$	US\$
Balance at beginning of period	11,370,751	5,438,366
Loss after income tax expense for the period	4,517,939	5,932,385
Balance at the end of the period	<u>15,888,690</u>	<u>11,370,751</u>

NOTE 20: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable and promissory notes. The Group's activities expose it to a variety of financial risks; market risk (including fair value and interest rate risk), credit risk, liquidity risk, foreign exchange fluctuations, cash flow and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the board of directors under policies approved by the Board. The board identifies and evaluates financial risks for overall risk management.

Interest Rate Risk

As the Group has no significant interest bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The risk arises due to changes in interest rates offered by the bank. The risk is managed by seeking alternative quotes from competing banks.

The secured bank loans, secured promissory notes and convertible notes have a fixed interest rate and there is an inherent fair value risk.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2020	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	US\$	US\$	US\$	US\$	%
<i>Financial assets</i>					
Cash assets	418,118	-	-	418,118	-
Trade and other receivables	-	-	81,556	81,556	-
Total financial assets	418,118	-	81,556	499,674	
<i>Financial liabilities</i>					
Lease liability – current	-	47,429	-	47,429	5%
Lease liability – non-current	-	56,489	-	56,489	5%
Loan from related party	-	-	76,830	76,830	-
Paycheck Protection Program (PPP)	-	-	293,400	293,400	-
Loans - current	-	606,508	-	606,508	3.64 - 6.58%
Loans – non-current	-	2,067,222	-	2,067,222	2 – 6.58%
Promissory notes-non-current	-	1,211,818	-	1,211,818	2 – 5%
Total financial liabilities	-	3,989,466	370,230	4,359,696	
2019					
Financial Instruments	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Weighted average effective interest rate
	US\$	US\$	US\$	US\$	%
<i>Financial assets</i>					
Cash assets	240,775	-	-	240,775	-
Trade and other receivables	-	-	259,024	259,024	-
Total financial assets	240,775	-	259,024	499,799	
<i>Financial liabilities</i>					
Loans - current	-	174,823	-	174,823	3.64 - 6.58%
Promissory notes-current	-	1,162,982	-	1,162,982	2 - 3%
Loans – non-current	-	1,562,166	-	1,562,166	3.64 – 6.58%
Convertible notes-non-current	-	5,488,131	-	5,488,131	4%
Promissory notes-non-current	-	220,283	-	220,283	2 – 3%
Total financial liabilities	-	8,608,385	-	8,608,385	

The net fair value of financial assets and liabilities are materially in line with their carrying values. The assets pledged as security support the fair value.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Sensitivity Analysis – Interest Rate Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in interest rates.

	Carrying Amount US\$	Increase 1%		Decrease 1%	
30 June 2020		Profit US\$	Equity US\$	Profit US\$	Equity US\$
Cash and cash equivalents	418,118	4,181	-	(4,181)	-
	Carrying Amount US\$	Increase 1%		Decrease 1%	
30 June 2019		Profit US\$	Equity US\$	Profit US\$	Equity US\$
Cash and cash equivalents	240,775	2,407	-	(2,407)	-

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has issued promissory notes as part of the Asset Purchase Agreement and obtained new loans to fund its expansion and its risk with regard to liquidity relates to its ability to maintain its current operations prior to the generation of future income streams and growth strategies to ensure it meets its commitments. The Group's ability to raise equity funding in the market is paramount in this regard. The Group manages liquidity by monitoring its budgeted commitments for at least 12 months and raising capital and/or debt as required to fund its business platform.

As at 30 June 2020	Less than 6 months US\$	6-12 months US\$	1-5 years US\$	Over 5 years US\$	Total contractual US\$	Carrying amount US\$
Lease liability	23,714	23,715	56,489	-	103,918	103,918
Trade and other payables	332,222	-	-	-	332,222	332,222
Borrowings	884,885	91,853	3,279,040	-	4,255,778	4,255,778
As at 30 June 2019	Less than 6 months US\$	6-12 months US\$	1-5 years US\$	Over 5 years US\$	Total contractual US\$	Carrying amount US\$
Trade and other payables	1,163,055	-	-	-	1,163,055	1,163,055
Borrowings	1,168,780	169,025	7,270,580	-	8,608,385	8,608,385

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Credit Risk

Credit risk is the risk of financial loss to the Group is a customer our counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group limits its exposure to credit risk from trade receivables through regular review and the balance at balance date was US\$47,279 (2019-US\$171,557). At the reporting date, the Group has no significant concentrations of credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Cash at bank	2020	2019
	US\$	US\$
Westpac Banking Corporation - AA	2,949	227,124
Summit Community Bank (not rated)	415,169	13,651
	<u>418,118</u>	<u>240,775</u>

Price Risk

The Group is not exposed to commodity price risk.

Foreign Currency Risk

The group's operations are in US\$. The group has exposure foreign currency risk at the end of the financial period as follows:

	2020	2019
	US\$	US\$
Cash and cash equivalents	<u>135</u>	<u>89,980</u>

Foreign currency exposure above relates to US dollars held by the Australian parent entity which has an AUD functional currency. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

Translation exposures arise from financial and non-financial items held by an entity (for example a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated Statement of Financial Position, the effect on profit or loss of their revaluation under AASB 121 is not fully eliminated.

For the purposes of AASB 7, currency risk does not arise from financial instruments that are non-monetary items. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other price risk disclosures as part of fair value gains and losses.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Fair Value Measurement

(a) Net fair value

The carrying value and net fair values of financial assets and liabilities at balance date are:

Consolidated	2020	
	Carrying Amount US\$	Net fair Value US\$
Financial assets		
Cash and cash equivalents	418,118	418,118
Trade and other receivables - current	81,556	81,556
	<u>499,674</u>	<u>499,674</u>
Financial Liabilities		
Trade and other payables - current	332,222	332,222
Borrowings - current	976,738	976,738
Borrowings – non-current	3,279,040	3,279,040
	<u>4,588,000</u>	<u>4,588,000</u>

Consolidated	2019	
	Carrying Amount US\$	Net fair Value US\$
Financial assets		
Cash and cash equivalents	240,775	240,775
Trade and other receivables - current	259,024	259,024
	<u>499,799</u>	<u>499,799</u>
Financial Liabilities		
Trade and other payables - current	1,163,055	1,163,055
Borrowings - current	1,337,805	1,337,805
Borrowings – non-current	7,270,580	7,270,580
	<u>9,771,440</u>	<u>9,771,440</u>

(b) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- i) Quoted prices in active markets for identical assets or liabilities (level 1)
- ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (level 2); and
- iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amount of the financial assets and liabilities at balance date is considered to approximate their fair value.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21: INCOME TAX EXPENSE	2020	2019
	US\$	US\$
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	1,642,235	1,779,715
Add tax effect of:		
- Revenue losses not recognised	-	-
- Other non-allowable items	(573,162)	(160,155)
	<u>1,069,073</u>	<u>1,619,560</u>
Less tax effect of:		
- Other deferred tax balances not recognised	(1,069,073)	(1,619,560)
Income tax	<u>-</u>	<u>-</u>
c. Unrecognised deferred tax assets:		
Carry forward revenue losses – note 1	3,003,034	3,175,050
Carry forward capital losses	-	-
Net deferred tax assets	<u>3,003,034</u>	<u>3,175,050</u>

Note 1 – the tax effect of the carry forward revenue losses were reduced by US\$1,417,118 due to the restructure of the business ownership and contribution of indebtedness into equity by CFOAM Limited into the subsidiary (CFOAM LLC) prior to the CONSOL Energy Inc. investment.

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the company derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation which adversely affect utilising benefits.

NOTE 22: REMUNERATION OF AUDITORS

Assurance Services	2020	2019
<i>Audit Services</i>	US\$	US\$
Amounts paid/payable to BDO Audit (WA) Pty Ltd for audit and review of the financial reports	<u>36,213</u>	<u>30,821</u>
<i>Non-Audit Services</i>		
Amounts paid/payable to BDO for tax compliance and advice	<u>3,975</u>	<u>2,506</u>

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: Parent Entity Note

Financial Position	2020	2019
	US\$	US\$
Current assets		
Cash and cash equivalents	2,949	227,124
Other receivables	11,152	822
Total current assets	14,101	227,946
Non-current assets		
Investment in subsidiaries	-	30,000
Loan to subsidiary	-	-
Total non-current assets	-	30,000
Total assets	14,101	257,946
Current liabilities		
Trade and other payables	239,493	340,409
Total current liabilities	239,493	340,409
Non-current liabilities		
Convertible note issue	-	5,488,131
Total non-current liabilities	-	5,488,131
Total liabilities	239,493	5,828,540
Net Assets	(225,392)	(5,570,954)
Equity		
Share capital	17,359,740	13,229,322
Reserves	421,608	72,437
Accumulated losses	(18,006,740)	(18,872,713)
Total Equity	(225,392)	(5,570,954)
Financial Performance	2020	2019
	\$	\$
Revenue from operations	112	2,064
Adjustment - provision for intercompany investment	1,438,097	-
Provision for intercompany loan	-	(6,542,361)
Expenses from operations	(572,236)	(736,278)
Profit (Loss) before income tax	865,973	(7,276,575)
Income tax expense	-	-
Profit (Loss) for the year	865,973	(7,276,575)

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

The COVID-19 pandemic and the subsequent restrictions imposed by governments globally have caused disruption to many businesses and the associated economic activity. To date, the pandemic has not had a significant adverse effect on the Group's consolidated financial results.

The Group will continue to assess the impact of COVID-19 on existing projects and operations. The duration and spread of the pandemic and regulations imposed by governments continue to be closely monitored to determine any future impact on the Group.

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The Board of CFOAM Corp (CCORP) has determined that the business of CFOAM LLC requires working capital of US\$916,532 to continue its business operations. The funds are required to be contributed on a pro rata basis being CFOAM Limited (CFO) US\$687,399 and CONSOL US\$229,133. CFO and CONSOL currently own 75% and 25% being seventy five (75) shares and twenty five (25) shares respectively, of the outstanding capital stock of the CCORP.

CONSOL has agreed to contribute its pro rata share of US\$229,133 by 4 September 2020 for the issue of 4 shares and contribute US\$229,133 of CFO's portion on or after 1 October 2020, on a short term basis, allowing CFO time to raise its allocation.

CFO intends to raise capital to contribute as follows:

- On or before 31 October 2020 or such date as agreed, CFO will contribute US\$229,133 to CCORP for the issue of 3 shares.
- On or before 30 November 2020 or such date as agreed, CFO will contribute US\$229,133 to CCORP for the issue of 3 shares.
- In the event that CFO is unable to make part or all of the above contributions, then CFO will notify CONSOL of how much CFO will be able to contribute to CCORP and contribute such amount to CCORP at the rate of US\$76,378 per share. If this occurs, the board of directors of CCORP will convene within ten (10) business days to identify and discuss additional actions to be taken to satisfy CFOAM LLC's near-term working capital needs and related issues.
- On or before 21 December 2020, CFO will contribute any remaining proceeds to CCORP. If CFO contributes the total amount of US\$229,133 to CCORP, then these proceeds will be used to repay the CONSOL prepaid amount and CCORP will issue 3 shares to CFO. CFO will notify CONSOL if it is only able to contribute a portion of the US\$229,133 to CCORP. In that case, shares to be issued in connection with these funds will be allocated between CFO and CONSOL based on the per share value of US \$76,378 per share and one additional share will be issued to CONSOL as interest and other compensation for making the additional contribution to CCORP. No fractional shares will be issued and any rounding with respect to amounts contributed by CFO will be rounded down. In the event that CFO does not contribute any of the US\$229,133 to repay the prepaid CONSOL amount by 21 December 2020, then CONSOL will be issued with a further 4 shares.

Other than this, there have been no other matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2020, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2020, of the Group.

NOTE 25: COMPANY DETAILS

The registered office of the company is:

Level 1
33 Ord Street
West Perth Western Australia 6005

The principal place of business of the company is:

The Millennium Centre
1142 Middle Creek Road
Triadelphia, West Virginia 26059-1138
United States of America

CFOAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 26: LOSS PER SHARE

Reconciliation of loss from continuing operations:	2020	2019
	US\$	US\$
Loss from continuing operations	(4,517,939)	(5,932,385)
Loss used to calculate basic EPS from continuing operations	(4,517,939)	(5,932,385)
Weighted average number of ordinary shares outstanding during the year	150,912,898	116,655,213

There are currently no dilutive securities on issue which effect the calculations and therefore the weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS are the same.

CFOAM LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of CFOAM Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 50, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated group; and
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Board acting in the capacity of the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Directors on 30 September 2020 and is signed on behalf of the Directors by:



Gary Steinepreis
Director
Perth
30 September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of CFOAM Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CFOAM Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of Intangible Assets

Key audit matter	How the matter was addressed in our audit
<p>Note 8 in the financial report discloses the intangible assets and the assumptions used by the Group in testing these assets for impairment.</p> <p>Management's assessment of the recoverability of the intangible assets is supported by a fair value less cost of disposal approach which contains estimates and judgements.</p> <p>The impairment assessment for intangible assets was identified as a key audit matter because of the significant judgement involved determining the recoverable amount.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Discussing with management their assessment of both internal and external impairment triggers; • Challenging the appropriateness of the Capitalised Market Approach (fair value less cost of disposal) valuation method used to determine the fair value in accordance with AASB 136 Impairment of Assets; • Assessing the carrying value of CFOAM's net assets with regard to the group's market capitalisation as at 30 June 2020; • Reviewing the reasonableness of the useful life of development assets and checking the accuracy of amortisation expenses recognised during the period; • Analysing management's calculation of impairment expense recognised during the period; and • Assessed the adequacy of the Group's disclosures in respect of intangible assets and impairment expense as disclosed in note 8 of the financial report.

Restructure of Group

Key audit matter	How the matter was addressed in our audit
<p>During the 2020 financial year, CFOAM Limited ('CFOAM') entered into a transaction with CONSOL Energy Inc ('CONSOL'), which resulted in the incorporation of CFOAM Corp in October 2019, before CONSOL invested US\$3.5 million for a 25% direct-equity interest in the newly incorporated subsidiary.</p> <p>Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the transaction and reviewing the agreements relating to the transaction; • Assessing management's determination of the fair value of consideration paid for CONSOL's interest in CFOAM Corp and agreeing the consideration to supporting documentation; • Evaluating management's assessment of the Non-controlling interest recognised; and • Assessing the adequacy of the related disclosures in notes 1(a) and 14 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of CFOAM Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', written over the BDO logo.

Dean Just

Director

Perth, 30 September 2020

CFOAM LIMITED

CORPORATE GOVERNANCE STATEMENT 2020

This Corporate Governance Statement is current as at 1 October 2020 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company has, during the financial year ending 30 June 2020, followed the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that have not been followed for any part of the reporting period have been identified and reasons provided for not following them along with what (if any) alternative governance practices were adopted in lieu of the recommendation during that period.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company's corporate governance duties.

The Company's Corporate Governance Plan is available on the Company's website at www.CFOAM.com.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendations		Comply	Explanation
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	YES	Information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management) is found under the Board Charter in the Corporate Governance Plan.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	YES	The function of the Nomination Committee is carried out by the Board to identify and recommend candidates to fill vacancies and to determine the appropriateness of director nominees for election to the Board. The Board recognises the benefits arising from diversity and aims to promote an environment conducive to the appointment of well qualified Board candidates so that there is appropriate diversity to maximise the achievement of corporate goals. As required under the ASX Listing rules and the Corporations Act, election or re-election of directors is a resolution put to members at each Annual General meeting. The notice of meeting contains all material information relevant to a decision on whether or not to elect or re-elect a director.

Recommendations		Comply	Explanation									
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	Each senior executive (if appointed) and executive director has a formal employment contract and the non-executive directors have a letter of appointment including a director's interest agreement with respect to disclosure of security interests.									
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.	YES	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.									
1.5	<p>A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</p> <p>(c) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> <p>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	PARTLY	<p>The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company's progress in achieving them.</p> <p>The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company's website.</p> <p>The Board did not set measurable gender diversity objectives for the past financial year because the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles would, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit.</p> <p>The respective proportions of men and women on the Board, in senior executive positions and across the organisation (including how the entity has defined "senior executive" for these purposes) for the past financial year is disclosed below –</p> <table border="1"> <thead> <tr> <th></th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td>0</td> <td>3</td> </tr> <tr> <td>Senior Executive*</td> <td>2</td> <td>2</td> </tr> </tbody> </table> <p>* The Senior Executives are the individuals at the highest level of organisational management who have the day-to-day responsibilities of managing the CFOAM LLC only and does not include the Company Secretary as this role is held by a Director.</p>		Female	Male	Board	0	3	Senior Executive*	2	2
	Female	Male										
Board	0	3										
Senior Executive*	2	2										

Recommendations		Comply	Explanation
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process during or in respect of that period.</p>	PARTLY	<p>Process for Evaluating Board Performance is detailed in the Board Charter of the Corporate Governance Plan.</p> <p>The Board aims to review its performance and that of its committees and individual directors on an annual basis. Performance is reviewed against the Board Charter and any other Board responsibilities. Evaluation will have regard to, amongst other things, ensuring proper and effective management and performance of financial, operational and compliance indicators. During the reporting period no evaluation took place.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process during or in respect of that period.</p>	PARTLY	<p>It is the Company's policy that performance evaluations of senior executives (if appointed) are undertaken on an annual basis and will form part of the remuneration assessment.</p> <p>A performance evaluation did not take place during the reporting period.</p>

PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

Recommendations		Comply	Explanation
2.1	<p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	PARTLY	<p>The Company's Corporate Governance Plan includes a Nomination Committee Charter. The Corporate Governance Plan is available on the Company's website.</p> <p>The primary purpose of the Nomination Committee is to support and advise the Board in maintaining a Board with an appropriate mix of skills and experience and ensuring the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.</p> <p>Given the size of the Company, the operation of the Nomination Committee is currently conducted by the full Board. When appropriate, external consultants are engaged to assist in the nomination process and to ensure a balance of skills, knowledge, experience, independence and diversity is achieved.</p>

Recommendations		Comply	Explanation																											
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	YES	<p>The Board reviews capabilities, technical skills and personal attributes of its directors. It will normally review the Board's composition against those attributes and recommend any changes in Board composition that may be required. An essential component of this will be the time availability of Directors.</p> <table border="1"> <thead> <tr> <th></th> <th>Non-executive chairman/ Company Secretary</th> <th>Non-executive directors</th> </tr> </thead> <tbody> <tr> <td>Leadership</td> <td>X</td> <td>X</td> </tr> <tr> <td>Strategy / Risk</td> <td>X</td> <td>X</td> </tr> <tr> <td>Communication</td> <td>X</td> <td>X</td> </tr> <tr> <td>Fundraising</td> <td>X</td> <td>X</td> </tr> <tr> <td>Industrial Industry</td> <td>X</td> <td>X</td> </tr> <tr> <td>Governance</td> <td>X</td> <td>X</td> </tr> <tr> <td>Health, safety and environment</td> <td>X</td> <td>X</td> </tr> <tr> <td>Financial acumen</td> <td>X</td> <td>X</td> </tr> </tbody> </table>		Non-executive chairman/ Company Secretary	Non-executive directors	Leadership	X	X	Strategy / Risk	X	X	Communication	X	X	Fundraising	X	X	Industrial Industry	X	X	Governance	X	X	Health, safety and environment	X	X	Financial acumen	X	X
	Non-executive chairman/ Company Secretary	Non-executive directors																												
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Industrial Industry	X	X																												
Governance	X	X																												
Health, safety and environment	X	X																												
Financial acumen	X	X																												
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the Board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	YES	<p>Todd Hoare and Flemming Bjoernslev (from cessation of executive duties) are considered to be independent directors. Gary Steinepreis is not considered to be classified as an independent director due to being a substantial holder.</p> <p>The dates of the appointment of the directors is contained in the Directors' Report of the Annual Financial Statements.</p>																											
2.4	A majority of the Board of a listed entity should be independent directors.	YES	The Company's Board Charter requires that, where practical, the majority of the Board should be independent. 2 of the 3 directors are considered independent directors.																											
2.5	The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	NO	The chair of the Board is not an independent director. The company does not currently have a CEO.																											

Recommendations		Comply	Explanation
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	YES	The Company will provide induction material for any new directors and, depending on specific requirements, will provide appropriate professional development opportunities for directors.

PRINCIPLE 3 – INSTILL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Recommendations		Comply	Explanation
3.1	A listed entity should articulate and disclose its values.	YES	The Board has adopted a set of values which are the foundation for how the Company achieves its business objectives. Our values are supported by the Code of Conduct and other key governance principles and policies which are approved by the Board. The Company has disclosed its values in its Corporate Governance Plan which can be found on the Company's website.
3.2	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code by a director or senior executive; and (2) any other material breaches of that code that call into question the culture of the organisation. 	YES	The Company has a Code of Conduct in its Corporate Governance Plan. The Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive to abide by when dealing with each other, shareholders and the broad community.
3.3	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	YES	The Company has a Whistleblower Policy contained within its Corporate Governance Plan. The Whistleblower Policy sets out the reporting process to be followed.
3.4	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy. 	YES	The Company has an Anti-bribery and Corruption Policy contained within its Corporate Governance Plan which can be found on the Company's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY OF CORPORATE REPORTS

Recommendations	Comply	Explanation
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	PARTLY	<p>The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter. The Corporate Governance Plan is available on the Company's website.</p> <p>The Company does not have an Audit and Risk Management Committee. The full Board acts as the Audit and Risk Committee as, given the relatively small number of Directors, it is not practical to have a separate Committee.</p> <p>Whilst the Company does not have an Audit and Risk Management Committee, the Company's Corporate Governance Plan contains an Audit and Risk Management Committee Charter which is available on the Company's website.</p> <p>As noted above, the Company does not have a separate Audit and Risk Management Committee as the Board did not consider the Company would benefit from its establishment. The Board carries out the duties that would ordinarily be carried out by the Audit and Risk Management Committee including overseeing the entity's risk management framework and prior to approval of the Company's statutory financial statements, the Board had the opportunity to meet with the Company's auditors, as appropriate.</p>
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>The Audit Committee (which is currently the full board) receives declarations from the Board in relation to full year and half year statutory financial reports during the reporting period in accordance with section 295A of the Corporations Act.</p>

Recommendations		Comply	Explanation
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	YES	<p>The Company's Corporate Governance Plan provides that the Company must have policies and comprehensive practices in place to verifying the integrity of the Company's periodic reports which are not audited or reviewed by an external auditor, to satisfy the Board that each periodic report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions.</p> <p>Where a periodic corporate report, such the Company's quarterly report, are not required to be audited or reviewed by an external auditor, the Company conducts an internal verification process to confirm the integrity of the report, to ensure that the content of the report is materially accurate, and to provide investors with appropriate information to make informed investment decisions. Appropriate supporting information for such corporate reports are sought and retained on preparation of the report and the full Board reviews and approves the release of such reports.</p> <p>Copies of all market announcements are also required to be circulated to the Board promptly, to ensure the Board has timely oversight of the nature and quality of information being disclosed to the market.</p>

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendations		Comply	Explanation
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	YES	The Company's Corporate Governance Plan includes a continuous disclosure program. The Corporate Governance Plan is available on the Company's website.
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	Contained within the Company's Continuous Disclosure Policy. Copies of all market announcements are circulated by the Company Secretary promptly to the Board, to ensure the Board has timely oversight of the nature and quality of information being disclosed to the market.

Recommendations		Comply	Explanation
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	YES	Contained within the Company's Continuous Disclosure Policy, which forms part of the Company's Corporate Governance Plan. The policy provides that stipulates that any new and substantive investor or analyst presentations will be released on the ASX Market Announcements Platform ahead of the presentation. The Chairman and Company Secretary ensure that any new and substantive investor or analyst presentations are released to ASX ahead of the presentation.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendations		Comply	Explanation
6.1	A listed entity should provide information about itself and its governance to investors via its website.	YES	The Company's website provides information on the Company including its background, objectives, projects and contact details. The Corporate Governance page provides access to key policies, procedures and charters of the Company, such as the Board and Committee charters, securities trading policy, diversity policy and the latest Corporate Governance Statement. ASX announcements, Company reports and presentations are uploaded to the website following release to the ASX and editorial content is updated on a regular basis.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company's Corporate Governance Plan states that the Board is committed to open and accessible communication with holders of the Company's securities. Disclosure of information and other communication is made as appropriate by mail or email. Security holders are given the option to receive communication from, and send communications to, the Board and its security registry electronically. The Company's security holder communications strategy aims to promote and facilitate effective two-way communication with investors. The Corporate Governance Plan outlines a range of ways in which information is communicated to shareholders and is available on the Company's website.

Recommendations		Comply	Explanation
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	<p>The Company encourages shareholders to attend all general meetings of the Company and sets the time and place of each meeting to promote maximum attendance by Shareholders.</p> <p>The Company encourages Shareholders to submit questions in advance of a general meeting, and for the responses to these questions to be addressed through disclosure relating to that meeting.</p> <p>The Company's Shareholder Communication Policy is disclosed on the Company's website.</p>
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	YES	<p>It is the Company's desire that shareholders receive communications electronically in the interests of the environment and constraining costs. In an endeavour to drive this objective the Company has a policy of providing hard materials at cost (which will generally involve a black and white presentation even where the electronic version is full colour).</p>
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	<p>Contained within the Company's Shareholder Communication Strategy. The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report and half yearly reports.</p> <p>Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries are referred to the Company Secretary in the first instance.</p>

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendations	Comply	Explanation
<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	PARTLY	<p>The Board has not established a Risk Committee however it does have a Risk Policy which can be found on the company's website in the Corporate Governance Plan.</p> <p>Risk management is discussed by the full Board at the Company's board meetings during the year. The Board considers that this process adequately monitors the Company's risk management framework.</p> <p>As noted above, the Company does not have a separate Audit and Risk Management Committee as the Board did not consider the Company would benefit from its establishment. The Board carries out the duties that would ordinarily be carried out by the Audit and Risk Management Committee including overseeing the entity's risk management framework and prior to approval of the Company's statutory financial statements, the Board had the opportunity to meet with the Company's auditors, as appropriate.</p>
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>The Board considers risks and discusses risk management as required at the relevant Board meeting. As part of this all risks are considered including but not limited to strategic, operational, legal, reputation and financial risks. This is an on-going process rather than an annual formal review.</p>
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	YES	<p>Due to the size of the Company, the Board does not consider it necessary at this time, to formally adopt an internal audit function. The Board continually monitors the risk management and internal control processes adopted by the Company to ensure they are appropriate to the operations of the Company's group structure. The Board is satisfied with the current level of risk, risk management and control monitoring within the Company.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	YES	<p>The Company does not believe it has any significant exposure to economic, environmental and social sustainability risks.</p>

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendations	Comply	Explanation
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>YES</p>	<p>The Company's Corporate Governance Plan includes a Remuneration Committee Charter. The Corporate Governance Plan is available on the Company's website.</p> <p>(a) The Company does not have a Remuneration and Nomination Committee as given the relatively small number of Directors, it is not practical to have a separate Committee. Whilst the Company does not have a Remuneration and Nomination Committee, the Board has adopted a Remuneration and Nomination Committee Charter.</p> <p>(b) As noted above, the Company does not have a separate Remuneration Committee given the size of the Board and as the Board did not consider the Company would benefit from its establishment. The Board currently carries out the duties that would ordinarily be carried out by the Remuneration and Nomination Committee. The Board undertakes this role with the assistance of any external advice which may be required from time to time. Remuneration levels are competitively set to attract suitably qualified and experienced Directors and senior Executives, having regard for Company performance.</p>
<p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>YES</p>	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed in the remuneration report contained in the Company's 30 June 2020 Annual Report as well as being disclosed on the Company's website.</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>YES</p>	<p>Participants in the Company's equity-based remuneration schemes are prohibited from entering into any scheme or arrangement under which they hedge or alter the economic benefit that they may derive in respect of their equity-based remuneration options or performance rights.</p>

CFOAM LIMITED
ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2020.

1 Distribution of Equity Securities

Analysis of numbers of security holders by size of holding:

		Number
1	- 1,000	43
1,001	- 5,000	96
5,001	- 10,000	79
10,001	- 100,000	250
100,001	- and over	125
		<u><u>593</u></u>

There were 289 holders of less than a marketable parcel of ordinary shares.

2 Restricted Securities

There are no Restricted Securities.

3 Substantial Holders

Substantial holders of equity securities, ordinary shares, in the Company and advised to the Company are set out below:

Ordinary Shares (Holders with 5% or more)

Name	Number held	Percentage of issued shares
Muhammad Qubbaj	22,280,496	11.59%
Oakhurst Enterprises Pty Ltd, LeisureWest Consulting Pty Ltd <LeisureWest A/C>	12,645,157	6.58%
Drake Private Investments LLC	12,246,031	6.37%
Michael Placha	12,000,000	6.24%
William Dudley Rouse	11,869,426	6.18%
Brian Joseph and Touchstone Research Laboratory Ltd	10,473,435	5.45%

4 Voting Rights

The voting rights attaching to each class of equity security is set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

5 On-Market Buy-Back

There is no current on-market buy-back.

CFOAM LIMITED
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6 Equity Security Holders

The names of the twenty largest holders of ordinary shares are listed below:

Rank	Name	Units	% Units
1	CITICORP NOMINEES PTY LIMITED	23,194,482	12.07
2	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	19,895,567	10.35
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,757,636	8.20
4	MR MICHAEL FRANK PLACHA	12,000,000	6.24
5	MR WILLIAM DUDLEY ROUSE	11,669,426	6.07
6	OAKHURST ENTERPRISES PTY LTD	8,704,721	4.53
7	MR BRIAN JOSEPH	7,187,500	3.74
8	MS CHRISTINE RICHARDSON	6,440,762	3.35
9	MR ALASTAIR WARREN SMITH	6,131,250	3.19
10	MR JOGCHUM BRINKSMA	5,487,250	2.86
11	MR CARL PHILIP MAGNUS COWARD	5,214,543	2.71
12	TOUCHSTONE RESEARCH LABORATORY LTD	3,285,935	1.71
13	LEISUREWEST CONSULTING PTY LTD <LEISUREWEST A/C>	3,200,000	1.67
14	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	3,100,000	1.61
15	MR SURYA PRASAD SUBEDI	2,400,000	1.25
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,240,000	1.17
17	PAMPLONA CAPITAL PTY LTD	2,000,000	1.04
18	MS VIVIENNE MADELEINE MAYA	1,825,000	0.95
19	10 BOLIVIANOS PTY LTD	1,801,613	0.94
20	MR TODD JOHN HOARE	1,519,375	0.79
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		143,055,060	74.44

7 Unlisted Security Holders

Performance Rights (Holders with 5% or more)

Name	Number held	Percentage of unlisted performance rights
Brian Joseph	500,000	41%
Rudolph Olson III	175,000	14%
Todd Hoare	150,000	12%
Doug Amie	75,000	6%

Unlisted options (Holders with 5% or more)

Name	Number held	Percentage of unlisted options
Oakhurst Enterprises Pty Ltd	500,000	14%
Jogchum Brinksma	375,000	10%
William Dudley Rouse	300,000	8%