CFOAM Limited
Appendix 4E
Preliminary final report
30 June 20

1. Company details

Name of entity:	CFOAM Limited
ABN:	46 611 576 777
Reporting period:	For the year ended 30 June 2020

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2. Results for announcement to the market

	30 June 2020 US$	30 June 2019 US$	Movement
Revenues from operations	847,345	996,807	15% ↓
Loss from continuing operations after income tax	(5,474,516)	(5,932,385)	8% ↓ loss
Loss attributable to owners of CFOAM Limited	(4,877,134)	(5,932,385)	17% ↓ loss

Dividends
There were no dividends declared or paid in the period.

Comments

The results include an impairment expense relating to Development assets of US$1,434,053.

ASX and ASIC relief

ASX issued a class waiver 'Extended Reporting and Lodgement Deadlines' under listing rule 18.1 to give effect under the listing rules to the relief granted by ASIC in ASIC Corporations (Extended Reporting and Lodgement Deadlines—Listed Entities) Instrument 2020/451 dated 15 May 2020 ("ASIC Relief").

ASX's class waiver imposes two conditions that listed entities must satisfy to get the benefit of the extension to the lodgement date for their audited or reviewed accounts under listing rules 4.2B and 4.5.1:

- The first is a requirement that the entity provide to the market unaudited accounts and the information required by Appendix 4E by the usual lodgement deadlines. *CFO is complying with this requirement with this release.*

- The second is a requirement that, at the same time that it lodges its unaudited/unreviewed accounts with ASX, it announces to the market not only that it is relying on the ASIC Relief to extend the lodgement date for its audited/reviewed accounts, but also to state that it will immediately make a further announcement to the market if there is a material difference between its unaudited/unreviewed accounts and its audited/reviewed accounts. *CFO hereby states that it is relying on the ASIC Relief to extend the lodgement date for its audited accounts and will immediately make a further announcement to the market if there is a material difference between its unaudited accounts and its audited accounts.*

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3. Net tangible assets

	30 June 2020	30 June 2019
Net tangible assets per ordinary security	$0.014	($0.02)

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4. Control or Loss gained over entities

The Group did not gain control or lose control over any entities in the period. The Group undertook an internal restructure and interposed CFOAM Corp. CONSOL Energy Inc acquired a 25% interest in CFOAM Corp on 6 December 2019.

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5. Joint ventures

The Group is not involved in any joint ventures.

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6. Audit status

The preliminary final report is based on accounts which have been not yet been audited and are in the process of being audited. It is not yet known if the audited accounts will contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph. It is noted that in 2019 an emphasis of matter relating to going concern was noted – it is expected that this will be the same for 2020.

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7. Attachments

Details of attachments (if any):

The Preliminary Final Report of CFOAM Limited for the year ended 30 June 2020 is attached.

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8. Signed

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

Lodged electronically

Gary Steinepreis
Director
Perth

Date: 31 August 2020

ACN 611 576 777

UNAUDITED
Preliminary Final Report
CFOAM Limited and its controlled entities
For the year ended 30 June 2020

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

	30-June-20	30-June-19
Revenue	**US$**	**US$**
Revenue from operations	847,345	996,807
Other income	10,137	22,664
	857,482	**1,019,471**
Expenses		
Impairment loss – development asset	(1,434,053)	-
Raw materials and consumables used	(549,059)	(881,422)
Inventory writedown	(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	(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	-	-
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	**(4,877,134)**	**(5,932,485)**
Non-controlling interests	**(597,382)**	**-**
	(5,474,516)	**(5,932,385)**
Loss per share for loss attributable to the owners of CFOAM Limited		
Basic loss per share	($0.03)	($0.05)
Diluted loss per share	($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	30-June-19
		US$	US$
ASSETS			
Current assets			
Cash and cash equivalents		418,118	240,775
Trade and other receivables	2	81,556	259,024
Inventories	3	760,019	1,031,707
Total current assets		**1,259,693**	**1,531,506**
Non-current assets			
Property, plant and equipment	4	5,268,645	5,888,029
Right of use assets		101,188	-
Intangibles	5	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	6	332,222	993,102
Contract liability - deferred revenue		-	169,953
Lease liability		47,429	-
Borrowings	7	553,966	1,337,805
Total current liabilities		**933,587**	**2,500,860**
Non-current liabilities			
Lease liability		56,489	-
Borrowings	8	3,701,842	7,270,580
Total non-current liabilities		**3,758,331**	**7,270,580**
TOTAL LIABILITIES		**4,691,918**	**9,771,440**
NET ASSETS		**4,437,608**	**1,931,008**
EQUITY			
Issued capital	9	17,359,740	13,229,322
Non-controlling interests	11	1,552,577	-
Reserves	10	1,773,176	72,437
Accumulated losses		(16,247,885)	(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	-	-	(4,877,134)	(4,877,134)	(597,382)	(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	(4,877,134)	(4,573,642)	(597,382)	(5,171,024)
Transactions with owners in their capacity as owners:						
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	17,359,740	1,773,176	(16,247,885)	2,885,031	1,552,577	4,437,608

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)
Transactions with owners in their capacity as owners:				
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	13,229,322	72,437	(11,370,751)	1,931,008

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

	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	(3,369,493)	(5,593,856)
Interest received	112	2,064
Interest and other finance costs paid	(194,604)	(248,722)
Net cash used in operating activities	(2,881,075)	(4,542,077)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(798,802)
Net cash used in investing activities	-	(798,802)
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	293,400	-
Proceeds from borrowings	1,100,000	1,443,240
Net cash provided by financing activities	3,058,418	3,702,562
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	-	-
Cash and cash equivalents at the end of the financial year	418,118	240,775

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

CFOAM Limited is company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The preliminary final report for the year ended 30 June 2020 is unaudited and has been derived from the underlying books and records of the Group for the year ended 30 June 2020. The preliminary final report does not constitute the Group's full statutory financial report for the year ended 30 June 2020.

The preliminary final report has been prepared to satisfy the ASX listing rule 4.3A, adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2019, and does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

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.

Basis of Preparation

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.

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$2,835,818 (2019: US$4,542,077) and net current assets of US$326,106 (2019:net current liabilities of US$969,353).

The ability of the entity to continue as a going concern is dependent on 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 a significant doubt about the entity'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 Group currently has sufficient cash resources to fund its requirements currently. Refer to Note 12 Events subsequent to balance date;
- 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) ***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.

d) ***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.

e) ***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.

f) ***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.

g) ***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.

h) ***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 the point in time when the customer obtains control of 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.

i) ***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.

j) ***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.

k) ***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.

l) ***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 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.

<u>Equity instruments</u>

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.

m) ***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.

n) ***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.

o) 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.

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 on-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of CFOAM Limited.

v) **Leases**

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.

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.

NOTE 2. CURRENT ASSETS

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

NOTE 3. CURRENT ASSETS

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

Note:

(i) There are no interest or finance costs included in inventories.

(i) 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 4. NON-CURRENT ASSETS

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

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)	281,840	-	(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

NOTE 5. 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	(1,298,847)	(949,987)
	2,500,000	4,282,913

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 (FVLCOD) 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 by US$1,434,053, 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:

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

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

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 6. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

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

NOTE 7. CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	30 June 2020 US$	30 June 2019 US$
Loan from related party – unsecured	76,830	-
Paycheck Protection Program (PPP) – unsecured	293,400	-
Loans payable – secured	183,706	174,823
Promissory notes – secured	-	1,162,982
	553,936	1,337,805

Gary Steinepreis and associated entity, Oakhurst Enterprises Pty Ltd provided funds to the Group being 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 8 for further information on assets pledged as security and financing arrangements.

NOTE 8. 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)	2,490,024	1,562,166
Promissory notes – secured – note (b)	1,211,818	220,283
	3,701,842	7,270,580

Note (a) Convertible notes - unsecured:
The Company repaid and converted all of the convertible notes during the period. 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.

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 $4,000,000	Balance at 30 June 2020 US$
Promissory note-current	-	-	-
Promissory note - non-current	403,098	808,720	1,211,818
	403,098	808,720	1,211,818

Note (c) Loans payable – secured:

	Current	Non-current	Balance at 30 June 2020 US$	Total Facility US$	Interest rate
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	76,628	422,802	499,430	600,000	6.58%
	183,706	2,490,024	2,673,730	2,900,000	

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 payable 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.

NOTE 9. ISSUED CAPITAL

	Consolidated			
	30 June 2020 Shares	**30 June 2019 Shares**	**30 June 2020 US$**	**30 June 2019 US$**
Ordinary shares - fully paid (US$)	192,174,026	117,388,961	17,359,740	13,229,322

Movements in ordinary share capital

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	117,388,961		13,229,322
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	128,454
Cost of the contribution of capital				(37,169)
Balance	30 June 2020	192,174,026		17,359,740

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.

NOTE 10. RESERVES

	Consolidated	
	30 June 2020	**30 June 2019**
	US$	**US$**
Equity reserve – non-controlling interests (note 11)	1,350,041	-
Share based payment reserve – performance rights	225,161	177,955
Foreign currency reserve	197,974	(105,518)
	1,773,176	72,437

Movements in reserves

	Consolidated	
	30 June 2020	**30 June 2019**
Share based payment reserve – performance rights	**US$**	**US$**
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	225,161	177,955

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

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.

NOTE 11. NON-CONTROLLING INTERESTS

On 6 December 2019, CONSOL Energy Inc (**CONSOL**) acquired a 25% interest in the Group's US operations, via CFOAM Corp. CONSOL provided cash consideration of US$3.5 million for the 25% interest. The group recognised an increase in non-controlling interests of US$2,149,959, representing 25% of the net assets of the Group's US operations and an increase in the equity reserve of US$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 10)	1,350,041
Non-controlling interest	2,149,959
Consideration received from CONSOL	3,500,000

	30 June 2020 US$
Non-controlling interest in CONSOL's initial investment	2,149,959
Share of loss for period	(597,382)
Non-controlling interest at 30 June 2020	1,552,577

NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

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.