

Companies Announcement Office
ASX Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

December quarter 2020 - COMPANY UPDATE

CFOAM Limited, CFOAM Corp (74.34% owned by CFOAM Limited, 25.66% owned by CONSOL Energy Inc) and its operating entity CFOAM LLC, Triadelphia, West Virginia, (CFOAM) wish to provide the following update for quarterly period ended 31 December 2020.

SUMMARY OF Q2 2021 ACTIVITIES

- Strategic Initiatives – The Department Of Energy (DOE) has awarded the CFOAM proposal for “Continuous Processing of Carbon Foam Products Made from Coal at Atmospheric Pressure” (or CFOAM Project) for a total project value of **US\$2,421,802**
- Quarterly Cash Flow and Cash Position
- Sales Activity and Pipeline
- Operational Platform update
- Corporate matters – successful capital raising and investment in Innovaero

STRATEGIC INITIATIVES

- The DOE has awarded the CFOAM proposal for “Continuous Processing of Carbon Foam Products Made from Coal at Atmospheric Pressure” (or CFOAM Project) for a total project value of **US\$2,421,802**
- The CFOAM Project commenced on 1st January 2021
- This CFOAM Project will target applications capable of utilizing carbon foam at large scale, **transforming coal to carbon products**, with the potential for significant cost savings and consequently the ability to penetrate more competitive applications where volume and cost are paramount (e.g. building applications).

During the quarter, CFOAM was advised by the United States Department of Energy’s (DOE) Office of Fossil Energy (FE) that it has been awarded the project listed under Funding Opportunity Announcement DE-FOA-0002185, Area of Interest 4. The total project value being US\$2,421,802, including DOE funding of US\$1,923,680 with CFOAM being approximately US\$1.523 million and cost share from CFOAM and CONSOL Energy Inc of US\$498,122.

As previously advised, CFOAM has already made good progress in the lab on Atmospheric Pressure Carbon Foam and we believe that this was instrumental in CFOAM’s application being selected for award. This has provided a solid base for this exciting project and CFOAM continues to make inroads on ensuring that this exciting project becomes a commercial reality.

The Advanced Coal Processing Program is focused on the conversion of coal into value-added products, outside of traditional thermal and metallurgical markets, that can contribute to the U.S. Gross Domestic Product and provide a stable and sizable market for U.S. coal production. For the Advanced Coal Processing Program, this FOA sought applications to conduct research and development on coal-derived materials for residential/commercial buildings, infrastructure, and high-value products. This includes supporting research and development to migrate from batch manufacturing to continuous manufacturing of coal-based building materials. The FOA will also support the design, R&D and validation of a prototype carbon-based building.

QUARTERLY CASH FLOW AND CASH POSITION

- Current CFOAM group cash @ 31 December 2020: US\$984,000
- Sales receipts for the quarter: US\$118,000 in sales
- CFOAM products sold to 12 different organisations
- Operational costs continue to be maintained

SALES ACTIVITY AND PIPELINE

Sales revenue for the quarter of US\$118,000 was significantly COVID-impacted. COVID-19 restrictions and the significant acceleration in those affected have meant that no on-site sales visits by our salesforce have been possible. Additionally, customer operations have been significantly curtailed and projects have slowed. End customer inventory levels are also less than we would typically expect. The Board is optimistic that sales can increase once some normality is resumed, albeit downstream visibility is limited.

The business sold product to 12 different organisations over the quarter, both in the USA and overseas. This was less than the 18 different organisations sold to in the prior quarter but many orders were repeat business. Our customers limited visibility has led many of them to maintain lower levels of inventory and be circumspect on their requirements. Many companies continue to test and validate the product across various industries, including building materials, firedoors, autos and various aviation applications.

OPERATIONAL PLATFORM UPDATE

- Production: 10 autoclave runs and 1,158 panels were completed.
- Inventory: The inventory has been increased during the period.
- Maintenance: the preventative maintenance work continues on the operating plant and equipment including detailed work undertaken in October .
- Diversified revenue streams have continued with Parr runs, Pulverized Coal and Spheres being sold.

CORPORATE MATTERS

During the September quarter, the Board of CFOAM Corp (CCORP) determined that the business of CFOAM LLC required working capital of US\$916,532 to continue its business operations. The funds were required to be contributed on a pro rata basis being CFOAM Limited (CFO) US\$687,399 and CONSOL US\$229,133. However, due to the timing of CFOAM's capital raising strategy, CONSOL contributed its pro rata share of US\$229,133 by 4 September 2020 and further contributed US\$229,133 of CFO's first tranche portion on or around 1 October 2020, on a short term basis, allowing CFO time to raise its allocation. This resulted in the ownership structure being varied in CFOAM Corp (74.34% owned by CFOAM Limited, 25.66% owned by CONSOL Energy Inc).

On 8 October 2020, the Company announced it had entered into a conditional agreement to invest A\$1,550,000 to acquire a strategic 10.24% interest in Innovaero Technologies Pty Ltd (Innovaero), an Australian Aerospace and Defence Technology business.

To complement this investment, CFO and Innovaero are also discussing ways where CFOAM can be used for tooling and other components in Innovaero's technology developments.

CFO proceeded with its capital raising strategy as follows:

- CFO undertook a renounceable rights issue of 4 Shares for every 3 Shares held by shareholders at an issue price of \$0.015 (1.5 cents) per Share to successfully raise A\$3,843,481 (**Rights Issue**) before costs.
- CFO received the amount of A\$400,000, on a converting loan basis, to cover its 31 October 2020 commitment of US\$229,133 to CFOAM CORP and for general working capital. \$200,000 of the funds was converted into ordinary shares at the Rights Issue price and \$200,000 was later approved by shareholders due to it being from a related party and subsequently converted into ordinary shares at the Rights Issue price. CFO contributed US\$687,399 to CCORP which included US\$229,133 to repay the CONSOL prepaid amount.
- CFOAM paid A\$1,550,000 for the 10.24% interest in Innovaero.

Note 6 to Appendix 4C – Listing Rule 4.7C.3

Payments to related parties of the entity and their associates: The Group paid US\$186,000 during the period to settle the accrued non-executive director fees for the period 1 July 2019-30 November 2020. The remuneration has been accrued for December 2020 for non-executive directors.

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CONCLUSION

The COVID-19 disruption has impacted the timelines for decisions and slowed down the pipeline of opportunities. However, the Company remains confident that these opportunities have been deferred rather than lost. Furthermore, the company is excited by what the recent DOE grant will mean for the visibility of the company and its commercial applications going forward.

CFOAM appreciates the support of CONSOL in navigating the U.S. system and both parties continue to work to create a viable long-term platform.

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

For further details, please contact:

Gary Steinepreis

Director

E: gsteinepreis@CFOAM.com

Todd Hoare

Director

E: thoare@CFOAM.com

About CFOAM Limited

CFOAM® products are an inorganic carbon material that is manufactured from coal, pitch or lignin feedstock. CFOAM® products manufactured in this process have a rigid foam structure, similar in appearance to pumice stone, but with entirely different properties. CFOAM® products are currently used across a wide variety of markets including composite tooling for the aerospace sector, energy absorbing applications and defence applications. Additional markets such as automotive applications for energy absorption and fire resistance are also expected to become significant to the Company over time.

CFOAM® products were developed to meet the growing demand for ultra-high-end performance engineering materials in the industrial, aerospace, military and commercial product markets.

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CFO does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of

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