

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

March quarter 2021 - 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 March 2021.

SUMMARY OF Q3 2021 ACTIVITIES

- Strategic Initiatives – CFOAM and Department of Energy (DOE) funded project has undertaken successful trials of the 68' long belt continuous kiln. Kiln acquired, relocated and key purchase orders placed for additional equipment
- Quarterly Cash Flow and Cash Position
- Sales Activity and Pipeline
- Operational Platform update
- Paycheck Protection Program (PPP) business support of US\$333,800 received
- InnovaeroFOX completes critical flight tests

STRATEGIC INITIATIVES

- The DOE 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
- Following successful trials, the 68' long belt continuous kiln was acquired and has been relocated from North Carolina to Triadelphia
- Key purchase orders for a nitrogen generator absorber system and gas fired-incinerator/thermal oxidiser have been placed
- Work has commenced on utility upgrades and key operating permits for the new facility
- Further work is required to reconnect services and install equipment with a target completion date for this work being in the June quarter
- Commissioning planned for the September quarter
- The CFOAM Project will target applications capable of utilising 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).



CFOAM PROJECT OBJECTIVES – COAL TO CARBON PRODUCTS

The objective is to create a continuous manufacturing process for carbon foam that operates at atmospheric pressure and can generate well-formed carbon foam panels and lightweight aggregates.

A successful outcome would:

- 1) significantly reduce the cost to manufacture carbon foam through reductions in capital and labour costs,
- 2) significantly reduce the cycle time to manufacture carbon foam from weeks to hours, and
- 3) enable the manufacture of much larger volumes of carbon foam.

All of these features will enable carbon foam to enter much larger markets and create meaningful demand for U.S. coal.

QUARTERLY CASH FLOW AND CASH POSITION

- Current CFOAM group cash @ 31 March 2021: US\$858,000
- Sales receipts for the quarter: US\$196,000 in sales
- DOE grant funds received for the quarter: US\$39,000
- CFOAM products sold to 13 different organisations
- Operational costs continue to be maintained

SALES ACTIVITY AND PIPELINE

Sales revenue for the quarter of US\$196,000 which was up from last quarter of US\$118,000 but remains significantly COVID-impacted. Continued COVID-19 infections and stringent on-site mobility restrictions has meant that limited or no on-site sales visits by our salesforce have been possible. Additionally, customer operations have been significantly curtailed and projects have slowed. The Board is optimistic that sales can increase once some normality is resumed, albeit downstream visibility is limited.

The business sold product to 13 different organisations over the quarter, both in the USA and overseas. This was one more than the 12 different organisations sold to in the prior quarter but many orders were repeat business. Companies continue to test and validate the product across various industries, including building materials, fire doors, autos and various aviation applications.

OPERATIONAL PLATFORM UPDATE

- Production: 10 autoclave runs and 1,179 panels were completed.
- Inventory: The total WIP and finished inventory increased during the period.
- Maintenance: the preventative maintenance work continues on the operating plant and equipment.
- Diversified revenue streams have continued with Parr runs, Pulverized Coal and Spheres being sold.

PPP BUSINESS SUPPORT RECEIVED

During the quarter, CFOAM successfully applied for and received the Round 2 of the Paycheck Protection Program (PPP) of US\$333,800. The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

SBA (U.S. Small Business Administration) will forgive loans if the proceeds are used in accordance with the CARES Act which primarily requires that the proceeds are used for payroll, rent, mortgage interest or utilities. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees. This loan has a maturity of 5 years and an interest rate of 1% on funds not forgiven.

CFOAM advises that the request for forgiveness for the PPP Round 1 (US\$293,400) has been lodged, reviewed and is awaiting approval.

INNOVAERO

Late last year CFOAM Limited invested AUD\$1,550,000 to acquire an initial 10.24% share in Innovaero Technologies Pty Ltd (**Innovaero**), a well-established and highly successful Western Australian-based aeronautical engineering firm with long-term export contracts and multiple award-winning capabilities in engineering design, manufacturing, and certification (CASA).

INNOVAEROFOX COMPLETES CRITICAL FLIGHT TESTS

InnovaeroFOX has advanced to the next stage of its test flight program — successfully completing a series of challenging flight tests on schedule.

The 100 per cent Australian-made Maritime Unmanned Aerial System (MUAS) InnovaeroFOX has faced a series of tests at 40 per cent scale involving the execution of short, controlled circuits at varying speeds and airframe configuration settings. This follows previous hover tests of the 30 per cent scale Vertical Take-off and Landing (VTOL) system in November 2020.

The latest series of flight tests — part of an ongoing, comprehensive program in the lead up to trials at full-scale of the 8-metre wingspan InnovaeroFOX — have provided valuable data for the vehicle's operating envelope. Full-scale testing of FOX FTA-1 (VTOL) and FOX FTA-2 (Conventional Take-off and Landing) platforms will occur later this year.



InnovaeroFOX at 30 per cent scale in VTOL mode undergoing hover testing in November 2020.

The ongoing success of InnovaeroFOX trials is further proof of the mettle of the vehicle and the culmination of more than two (2) years of privately funded research, development and innovation.

InnovaeroFOX was conceived in response to Defence's Maritime UAS Continuous Development program, which aims to deliver enhanced situational awareness through the acquisition of maritime unmanned intelligence, surveillance, reconnaissance and targeting aircraft systems.

In a significant step toward the realisation of the Australian Government's prioritisation of sovereign defence capability, InnovaeroFOX is 100 per cent Australian-owned, designed and developed.

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

Payments to related parties of the entity and their associates: The Group paid US\$34,000 for non-executive director fees.

CONCLUSION

CFOAM continues its work on the DOE grant and is excited about this development opportunity.

Whilst COVID-19 disruption has impacted the timelines for decisions and slowed down the pipeline of opportunities, the Company remains optimistic that some of these opportunities will lead to recurring revenue and new applications for the CFOAM products.

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.

Important Notice

Some of the statements appearing in this announcement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which CFO operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward-looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside CFO's control.

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 unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of CFO, its directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward looking statement. The forward-looking statements in this announcement reflect views held only as at the date of this announcement.

This announcement is not an offer, invitation or recommendation to subscribe for, or purchase securities by CFO. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision. By reviewing or retaining this announcement, you acknowledge and represent that you have read, understood and accepted the terms of this important notice.