

Companies Announcement Office  
ASX Limited  
Level 6, 20 Bridge Street  
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## **June quarter 2022 - 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 30 June 2022.

### **SUBSEQUENT EVENT**

On 7 July 2022, CFOAM Limited (ASX:CFO) advised that it had entered into a conditional agreement for the sale of its 74.34% interest in CFOAM Corp to a subsidiary of CONSOL Energy Inc. for US\$1,000,000.

Closing of the transactions set forth in the agreement is conditioned on standard conditions including but not limited to CFOAM Limited shareholder approval under Listing Rule 11.2 of the ASX Listing Rules (see below) and critically, a full release of any parent company guarantees provided by CFOAM Limited to the USA domiciled entities, CFOAM Corp and CFOAM LLC, as well as any required third-party consents to the transactions. CONSOL Energy Inc. has agreed to fund the CFOAM Corp and CFOAM LLC business during the period from the signing of the agreement to settlement up to the amount of US\$300,000. In the event that the proposed sale does not complete then this funding may be converted to equity in CFOAM Corp increasing CONSOL Energy Inc.'s ownership interest to up to 39.21% (on the basis that US\$300,000 is the amount of the working capital loan).

The decision to sell the business has been difficult but, given the challenges of distance, time to commercialise, immediately due debt obligations and limited support from equity markets, the Directors believe it is in the best interests of shareholders to accept this sale of this business and continue to look for new opportunities for investment.

### **ASX Listing Rules:**

A disposal by a listed entity of its main undertaking can raise issues under ASX Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued quotation of its securities.

ASX have advised that CFO will be afforded a period of 6 months from the date of the announcement of the disposal of its interest in CFOAM Corp to demonstrate to the ASX that it is compliant with Listing Rule 12.1. The ASX also advises that if CFO does not demonstrate compliance with this Rule to ASX's satisfaction by the 6-month anniversary, ASX will suspend trading in CFO's securities.

The consequences of a disposal of the main undertaking are that any transaction CFO proposes to enter into may, if required by ASX, attract the application of Listing Rule 11.1.3 and as a result the Company may, if required by ASX, be required to re-comply with Chapters 1 and 2 of the Listing Rules.

A Notice of Meeting has been prepared with the shareholder meeting scheduled to occur on 10 August 2022.

### SUMMARY OF Q4 2021-2022 ACTIVITIES

- Quarterly Cash Flow and Cash Position
- Sales Activity and Pipeline – CFOAM product sales US\$234,000 for the March quarter – US\$848,000 year to date
- Operational Platform update

### QUARTERLY CASH FLOW AND CASH POSITION

- CFOAM group cash @ 30 June 2022: US\$162,000
- Sales receipts for the quarter: US\$234,000 in sales – year to date US\$848,000
- DOE grant funds received for the quarter: US\$167,000
- CFOAM products sold to 19 different organisations
- Operational costs continue to be maintained

### SALES ACTIVITY AND PIPELINE

Sales revenue for the quarter of US\$234,000 of CFOAM products with a year to date \$848,000. The quarterly sales was a significant increase from last quarter's US\$129,000. **The business sold product to 18 different organisations over the quarter, both in the USA and overseas. This was 1 less than the 19 different organisations sold to in the prior quarter with many orders being 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: 6 autoclave runs and 752 production quality panels were yielded.
- Inventory: The total WIP and finished inventory increased during the period.
- Diversified revenue streams have continued with Parr runs, Pulverized Coal and Aggregate being sold.

## ASX ANNOUNCEMENT

27 July 2022



### **Innovaero:**

In addition to the CFOAM USA domiciled business, CFOAM Limited owns a 10.24% equity investment in Innovaero Technologies Pty Ltd (**Innovaero**) which at cost is A\$1.55 million and, as part of an Innovaero convertible note raise, invested A\$1.975 million for a total investment of A\$3.525 million. The convertible note conversion is subject to 30% discount to an IPO valuation. CFOAM Limited's current interest will increase from 10.24% to up to 17%, subject to the valuation conversion.

Innovaero is rapidly developing solutions for the Australian Defence market and the Australian Government is set to invest AUD\$270bn in Australian Defence Force (ADF) capability and infrastructure over the next ten (10) years as part of the *2020 Defence Strategic Update and Force Structure Plan* (the Plan), which is a key target market for Innovaero.

The Australian government has mandated that all Defence tenders, where possible, must include Australian Sovereign content and we believe Innovaero is well placed with its domicile and unique skill set to address this demand.

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

Payments to related parties of the entity and their associates: The Group did not pay any non-executive director fees during the period. These fees have been accrued.

CFOAM Limited announced that it had agreed to a short term loan advance from Oakhurst Enterprises Pty Ltd, an entity associated with Gary Steinepreis, for the amount of A\$250,000. The loan is unsecured with an initial term of 60 days at an interest rate of 2.5% per annum. This in addition to the loan made by Oakhurst Enterprises Pty Ltd of A\$350,000 advanced in February 2022.

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

*For further details, please contact:*

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Director

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**Todd Hoare**

Director

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## **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.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

CFOAM Limited

**ABN**

46 611 576 777

**Quarter ended ("current quarter")**

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	234	848
1.2 Payments for		
(a) research and development	(13)	(61)
(b) product manufacturing and operating costs	(201)	(906)
(c) advertising and marketing	-	(7)
(d) leased assets	(85)	(339)
(e) staff costs	(228)	(880)
(f) administration and corporate costs	(139)	(710)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(19)	(79)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	167	733
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(284)</b>	<b>(1,401)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(72)	(440)
(d) investments	-	(717)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(72)</b>	<b>(1,157)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,499
3.2	Funds held in trust	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(61)
3.5	Proceeds from borrowings	178	431
3.6	Repayment of borrowings	(51)	(919)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Proceeds from investment by CONSOL	155	733
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>282</b>	<b>1,683</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	243	1,101
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(284)	(1,401)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(72)	(1,157)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	282	1,683

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(7)	(64)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>162</b>	<b>162</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	162	243
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>162</b>	<b>243</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$US'000
-
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

No remuneration has been paid but it has been accrued

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	2,357	2,357
7.2 Convertible notes	-	-
7.3 Promissory notes	403	403
7.4 <b>Total financing facilities</b>	2,760	2,760

**7.5 Unused financing facilities available at quarter end**

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

**7.1 Loans payable:**

	Balance at 30 June 2022 US\$	Total Facility US\$	Interest rate	Maturity date
Secured loan - West Virginia Economic Development Authority (WVEDA)	853,136	853,136	3.46%	14 February 2029
Secured loan – Summit Community Bank	347,939	347,939	6.49%	1 February 2026
Secured loan - CONSOL Energy Inc	1,156,029	1,156,029	2.00%	6 December 2022
	2,357,104	2,357,104		

The loans payable are secured over the 2016 Assets not claimed by the promissory notes security and secured over the Phase 1 and other assets.

**7.3 Promissory Note – secured:**

Promissory note issued is follows:

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 and interest is only payable on a monthly basis and principal is due on 31 July 2022. Balance at 30 June 2022 – US\$403,098

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(284)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	162
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	162
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	0.6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

CFOAM has an agreement to sell the CFOAM USA business to CONSOL Energy Inc for US\$1m which is subject to conditions including shareholder approval.

The meeting is scheduled for 10 August 2022. A successful sale would provide CFOAM with sufficient working capital.

CFOAM continues to review its operating expenses to reduce operating cash outflows, where possible.



2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

CFOAM operating entities will continue to review, apply and consider all funding options available to continue the business operations including debt and/or equity.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes – as referred to above.

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 July 2022

Authorised by: Gary Steinepreis – Director on behalf of the Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.