ASX ANNOUNCEMENT

30 October 2020

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

Q4-2020 COMPANY UPDATE

CFOAM Limited, CFOAM Corp (75% owned by CFOAM Limited, 25% owned by CONSOL Energy Inc) and its operating entity CFOAM LLC, Triadelphia, West Virginia, (CFOAM) wish to provide the following update for period ended 30 September 2020

SUMMARY OF Q4

- Quarterly Cash Flow and Cash Position
- Operational Platform update
- Strategic Initiatives
- Corporate matters

QUARTERLY CASH FLOW AND CASH POSITION

- Current CFOAM group cash @ 30 September 2020: US$47,000
- Sales receipts for the quarter: US$133,000 in sales
- CFOAM products sold to 18 different organisations
- Operational costs continue to be maintained

SALES ACTIVITY AND PIPELINE

The Company is disappointed with the sales performance for the quarter given the strong June quarter of US$325,000 in sales. Whilst the quarter's US$133,000 in sales was approximately 82% above the March quarter, the loss of momentum from June was nonetheless disappointing. COVID-19 restrictions have meant that no on-site sales visits have been possible, 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.

Pleasingly, the business was able to sell product to 18 different organisations over the quarter both in the USA and overseas. This was more than the 17 different organisations sold to in the prior quarter. Pleasingly, the Company is capturing repeat business, however, 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 and various aviation applications.

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OPERATIONAL PLATFORM UPDATE

- Production: 15 autoclave runs and 1,418 panels were completed.
- Inventory: The inventory has been increased during the period.
- Maintenance: the preventative maintenance work continues on the operating plant and equipment.
- Diversified revenue streams have commenced with Parr runs, Pulverized Coal and Spheres being sold.

STRATEGIC INITIATIVES

In July 2020, CFOAM LLC lodged a proposal, as lead investigator, with the Department of Energy (DOE) and the Office of Fossil Energy (FE) under a Financial Assistance and Funding Opportunity (FOA) Area of Interest 4, Coal-Derived Carbon Foam Produced via a Continuous Process. The proposal was entitled "Continuous Processing of Carbon Foam Products Made from Coal at Atmospheric Pressure" for Coal-Derived Materials Applicable for Building, Infrastructure and Other Applications.

CFOAM also partnered with Ohio University as lead investigator and CONSOL Energy under Area of Interest 1, Coal-Derived Components for Residential or Commercial Buildings with a proposal entitled Coal Derived Alternatives to Fiber-Cementitious Building Materials.

CFOAM understands that a public announcement will be made by the DOE and FE of the successful parties who have been selected for negotiation for financial award will be made in November 2020. This notification does not guarantee Federal Government funding, as funding will only be obligated upon completion of successful negotiations. The award negotiation process may take up to 75 days.

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 seeks 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.

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CORPORATE MATTERS

During the period, 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 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. These funds have been contributed by CONSOL.

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. These funds have been contributed by CFO.
- 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.

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

Payments to related parties of the entity and their associates: There has been no remuneration paid to the non-executive Directors for the period. The remuneration has been accrued for the period 1 July 2019-30 September 2020 for non-executive directors.

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Subsequent event

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.

The agreement is conditional upon CFO completing a new equity raising for a minimum of A$3,000,000, due diligence, ASX approvals if required and other standard conditions for an agreement of this nature. CFO will be granted an anti-dilution right to maintain its 10.24% holding for a period of 12 months on standard terms and conditions.

CFO will also be offered the right to participate in any third party investment proposal for an equity investment in Innovaero for a period of 12 months from the Settlement Date but the final decision on that participation is at the discretion of Innovaero. CFO will not be entitled to board representation in Innovaero on the completion of the investment.

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 proposes to fund this investment opportunity and commitment to CFOAM LLC, as announced on 1 September 2020, as follows:

- CFO will undertake 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 raise up to approximately $3,843,481 (**Rights Issue**).

- CFO has received binding commitments from investors on a converting loan basis for the amount of A$400,000 to cover its 31 October 2020 commitment of US$229,133 to CFOAM CORP and for general working capital. $200,000 of the funds will be converted into ordinary shares at an issue price of $0.015 each, being the same price as the entitlement offer to shareholders and being 13,333,333 ordinary shares, using the existing placement capacity under Listing Rule 7.1 with the exception of related party participation, where $200,000 of conversion is subject to shareholder approval. Oakhurst Enterprises Pty Ltd, an entity associated with Gary Steinepreis has committed up to $200,000 as a participant in the converting loan, subject to shareholder approval for up to 13,333,333 ordinary shares. If shareholder approval is not received the funds are immediately repayable.

The Prospectus has been lodged and despatch occurred on 29 October 2020.

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Advisor

The Company has appointed Pamplona Capital Pty Ltd, a Corporate Authorised Representative of Symmetry Group Pty Ltd ACN 159 449 368 (AFSL 426 385), to assist in the Capital Raising and on-going services. Pamplona Capital introduced the Innovaero opportunity to CFO. The Company agrees to:

(a) Subject to and conditional on a capital raise with a minimum of A$3,000,000, pay Pamplona $5,000 (plus GST) per month a mandate fee for 12 months, with the option to extend by mutual agreement, with an effective date of 1st September 2020;

(b) 6% fee (plus GST) on any funds raised by Pamplona and/or its associates during the term.

(c) Subject to and conditional on a capital raise with a minimum of A$3,000,000, 20 million options issued to Pamplona Capital Pty Ltd or parties nominated at an exercise price of 3 cents each with a 3 year expiry date from the date of issue. 15 million options will be issued using the existing placement capacity under Listing Rule 7.1 and 5 million options subject to shareholder approval.

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.

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

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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

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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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