

CFOAM Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: CFOAM Limited
ABN: 46 611 576 777
Reporting period: For the half-year ended 31 December 2020

2. Results for announcement to the market

	31 Dec 2020 US\$	31 Dec 2019 US\$	Movement US\$
Revenues from ordinary activities	310,635	448,034	137,399↓
Loss after income tax expense for the half-year	(1,698,593)	(2,089,165)	390,572↓
Loss for the half-year attributable to the Owners of CFOAM Limited	(1,354,040)	(2,035,158)	681,118↓

Dividends

There were no dividends declared or paid in the period.

3. Net tangible assets

	31 Dec 2020	31 Dec 2019
Net tangible assets per ordinary security	<u>0.5 cents</u>	<u>0.8 cents</u>

4. Control or Loss gained over entities

Nil.

5. Joint ventures

The Group is not involved in any joint ventures.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

7. Attachments

Details of attachments (if any):

The Interim Report of CFOAM Limited for the half-year ended 31 December 2020 is attached.

8. Signed

A handwritten signature in black ink, appearing to read 'G Steinepreis', with a stylized flourish at the end.

Gary Steinepreis
Director
Perth

Date: 25 February 2021



FOAM Ltd

CFOAM Limited

ABN 46 611 576 777

Interim Report - 31 December 2020

CFOAM Limited
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of CFOAM Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of CFOAM Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Gary Steinepreis
Todd Hoare
Nicholas Ong – appointed 24 October 2020
Flemming B. Bjoernslev – resigned 23 October 2020

Principal activities

The principal activity of the Group is the commercialisation of the CFOAM business. 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.

Review of operations

During the period, the Company was advised by the United States Department of Energy's (DOE) Office of Fossil Energy (FE) that it had been awarded the project listed under Funding Opportunity Announcement (FOA) 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. The project commenced on 1 January 2021.

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 has hit the ground running on this exciting project.

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.

During the September 2020 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 has resulted in the ownership structure being varied in CFOAM Corp (74.34% owned by CFOAM Limited, 25.66% owned by CONSOL Energy Inc), effective 31 December 2020.

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. This transaction was finalised on 26 November 2020.

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.

CFOAM Limited
Directors' report
31 December 2020

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 (US\$2,821,617) (**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. A\$200,000 of the funds was converted into ordinary shares at the Rights Issue price and A\$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.

The loss for the consolidated entity after providing for income tax amounted to US\$1,698,593 (2019: loss US\$2,089,165).

Events after the reporting period

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Gary Steinepreis

Director
Perth, 25 February 2021

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF CFOAM LIMITED

As lead auditor for the review of CFOAM Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of CFOAM Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2021

CFOAM Limited
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31 December 2020

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General information

The financial statements cover CFOAM Limited as a consolidated entity consisting of CFOAM Limited and the entity it controlled at the end of, or during, the half-year. The financial statements are presented in United States dollars, which is CFOAM Limited's presentation currency.

CFOAM Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 1
33 Ord Street
West Perth WA 6005

Principal place of business

1142 Middle Creek Road
Triadelphia WV 26059
USA

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021.

CFOAM Limited
Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Consolidated	
	31 Dec 2020	31 Dec 2019
	US\$	US\$
Revenue		
Revenue from operations	310,635	448,034
Other income	14,302	14,540
	324,937	462,574
Expenses		
Raw materials and consumables used	(173,035)	(307,258)
Inventory write off	(139,234)	(56,237)
Legal fees	(31,667)	(33,484)
Accounting and audit fees	(12,631)	(15,275)
Australian securities exchange fees	(25,711)	(30,709)
Travel and associated costs	(1,933)	(16,380)
Supplies	(27,464)	(26,589)
Premises lease	(137,346)	(158,575)
Other expenses	(348,878)	(328,124)
Foreign exchange loss	(8,555)	(156,411)
Professional services	(115,535)	(182,617)
Repairs and maintenance	(56,014)	(73,485)
Employee salaries, consulting and benefits expense	(213,406)	(381,068)
Share based payments expense	(8,560)	(161,957)
Depreciation and amortisation expense	(519,689)	(494,994)
Finance costs	(203,872)	(184,813)
	(2,023,529)	(2,551,739)
Loss before income tax expense from operations	(1,698,593)	(2,089,165)
Income tax expense	-	-
Loss after income tax expense for the half-year	(1,698,593)	(2,089,165)
Other comprehensive income (loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(19,724)	176,290
Total comprehensive income (loss) for the half-year	(1,718,317)	(1,912,875)
Total loss for the half-year is attributable to:		
Owners of CFOAM Limited	(1,354,040)	(2,035,158)
Non-controlling interests	(344,553)	(54,007)
	(1,698,593)	(2,089,165)
Loss per share for loss attributable to the owners of CFOAM Limited		
Basic loss per share	(\$0.007)	(\$0.02)
Diluted loss per share	(\$0.007)	(\$0.02)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CFOAM Limited
Consolidated Statement of financial position
As at 31 December 2020

		Consolidated	
	Note	31 Dec 2020	30 Jun 2020
		US\$	US\$
Assets			
Current assets			
Cash and cash equivalents		984,286	418,118
Trade and other receivables		161,743	81,556
Inventories		874,076	760,019
Total current assets		<u>2,020,105</u>	<u>1,259,693</u>
Non-current assets			
Property, plant and equipment	4	4,968,423	5,268,645
Right of use assets		68,900	101,188
Financial asset at fair value	10	1,141,397	-
Intangibles	5	2,325,570	2,500,000
Total non-current assets		<u>8,504,290</u>	<u>7,869,833</u>
Total assets		<u>10,524,394</u>	<u>9,129,526</u>
Liabilities			
Current liabilities			
Trade and other payables		167,280	332,222
Lease liabilities		47,429	47,429
Borrowings	6	1,680,800	976,738
Total current liabilities		<u>1,895,509</u>	<u>1,356,389</u>
Non-current liabilities			
Lease liabilities		23,687	56,489
Borrowings	7	2,426,659	3,279,040
Total non-current liabilities		<u>2,450,346</u>	<u>3,335,529</u>
Total liabilities		<u>4,345,855</u>	<u>4,691,918</u>
Net assets		<u>6,178,539</u>	<u>4,437,608</u>
Equity			
Issued capital	8	20,269,119	17,359,740
Non-controlling interests	11	1,077,963	1,193,382
Reserves	9	2,074,187	1,773,176
Accumulated losses		(17,242,730)	(15,888,690)
Total equity		<u>6,178,539</u>	<u>4,437,608</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

CFOAM Limited
Consolidated Statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Issued capital US\$	Reserves US\$	Accumulated losses US\$	Total US\$	Non-controlling interests US\$	Total equity US\$
Balance at 1 July 2020	17,359,740	1,773,176	(15,888,690)	3,244,226	1,193,382	4,437,608
Loss after income tax expense for the half-year	-	-	(1,354,040)	(1,354,040)	(344,553)	(1,698,593)
Other comprehensive loss for the half-year, net of tax	-	(19,724)	-	(19,724)	-	(19,724)
Total comprehensive loss for the half-year	-	(19,724)	(1,354,040)	(1,373,764)	(344,553)	(1,718,317)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity	3,247,542	-	-	3,247,542	-	3,247,542
Costs of contributions of equity	(338,163)	-	-	(338,163)	-	(338,163)
Transactions with Non-controlling interest	-	-	-	-	229,134	229,134
Share-based payments	-	320,735	-	320,735	-	320,735
Balance at 31 December 2020	<u>20,269,119</u>	<u>2,074,187</u>	<u>(17,242,730)</u>	<u>5,100,576</u>	<u>1,077,963</u>	<u>6,178,539</u>

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 half-year	-	-	(2,035,158)	(2,035,158)	(54,007)	(2,089,165)
Other comprehensive income for the half-year, net of tax	-	176,290	-	176,290	-	176,290
Total comprehensive income for the half-year	-	176,290	(2,035,158)	(1,858,868)	(54,007)	(1,912,875)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity	1,696,184	-	-	1,696,184	-	1,696,184
Costs of contributions of equity	(80,833)	-	-	(80,833)	-	(80,833)
Transactions with Non-controlling interest	-	1,350,041	-	1,350,041	2,149,959	3,500,000
Share-based payments	-	140,624	-	140,624	-	140,624
Balance at 31 December 2019	<u>14,844,673</u>	<u>1,739,392</u>	<u>(13,405,909)</u>	<u>3,178,156</u>	<u>2,095,952</u>	<u>5,274,108</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CFOAM Limited
Consolidated Statement of cash flows
For the half-year ended 31 December 2020

	Consolidated	
Note	31 Dec 2020	31 Dec 2019
	US\$	US\$
Cash flows from operating activities		
Receipts from customers (inclusive of sales and other taxes)	251,455	284,811
Payments to suppliers and employees (inclusive of sales and other taxes)	(1,577,803)	(1,747,729)
Interest received	59	99
Interest and other finance costs paid	(68,902)	(184,813)
	<hr/>	<hr/>
Net cash used in operating activities	(1,395,191)	(1,647,632)
Cash flows from investing activities		
Payments for property, plant and equipment	(12,749)	(29,718)
Payment for investment	10 (1,141,397)	-
	<hr/>	<hr/>
Net cash used in investing activities	(1,154,146)	(29,718)
Cash flows from financing activities		
Proceeds from the issue of shares	2,821,617	1,596,184
Costs of the offer	(64,444)	(80,832)
Proceeds from CONSOL investment	229,134	3,500,000
Proceeds from converting loan	290,047	139,924
Proceeds from borrowings	28,000	1,100,000
Repayment of borrowings	(188,849)	(168,008)
Repayment of convertible note	-	(3,250,000)
	<hr/>	<hr/>
Net cash provided by financing activities	3,115,505	2,837,268
Net increase / (decrease) in cash and cash equivalents	566,168	1,159,918
Cash and cash equivalents at the beginning of the financial half-year	418,118	240,775
Effects of exchange rate changes on cash and cash equivalents	-	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	<u>984,286</u>	<u>1,400,694</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

Basis for Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by CFOAM Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below and a new financial instruments policy.

(a) New and amended standards adopted by CFOAM Limited

There were a number of new or amended standards which became applicable for the current reporting period however, none were applicable to CFOAM Limited which required a change in the accounting policies except for those disclosed in Note 1(b).

(b) Financial instruments

Classification

The Company classifies its investments as a financial asset at fair value through profit or loss. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of holding the asset. Assets in this category are classified as non-current assets.

Recognition and derecognitions

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. 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.

Subsequent measurement

Financial assets are valued at fair value through profit and loss are carried at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in profit and loss.

Fair value

The fair values of quoted investments are based on last trade prices. For unlisted investments, management determine fair value based on inputs other than quoted prices that are either directly or indirectly observable for example recent share raising prices.

Significant accounting judgements and estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Fair value of financial assets

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

CFOAM Limited
Notes to the financial statements
31 December 2020

Quoted prices or rates are used to determine the fair value where an active market exists. If the market for a financial instrument is not active or the instrument is unlisted, then fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date, including recent capital raisings.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Note 2: Going concern

For the half year ended 31 December 2020 the Group recorded a loss from continuing operations after income tax of US\$1,698,593 (2019: loss US\$2,089,165), had net cash outflows from operating activities of US\$1,395,191 (2019: US\$1,647,632) and had a working capital surplus of US\$124,596 (30 June 2020: US\$99,696 deficit).

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 the CFOAM products business.

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 Company's subsidiary (CFOAM CORP) expects to maintain the ongoing support of its shareholders including CFOAM Ltd and CONSOL Energy Inc;
- CFOAM LLC has been successful for financial assistance and funding opportunity (FOA) to fund process development work over a 24 month period;
- Included in current borrowings is US\$293,400 relating to the Paycheck Protection Program, refer Note 6, the Directors expect the Group to comply with all conditions attached to this funding and therefore the liability recognised will be forgiven with no cash outlay required by the Group; and
- The directors expect the Group to be successful in securing additional funds through debt or equity issues, when and if required.

Should the consolidated 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.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment, being the operation of production of CFOAM. This is based on the Internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

Geographical information

All sales and non-current assets are based in the USA.

Revenue Recognition:

Disaggregation of Revenue.

All revenue recognised during the period was recognised at a point in time for the sale of products. All revenue recorded related to sales in USA.

Note 4. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2020 US\$	30 Jun 2020 US\$
Assets in course of construction	168,367	168,367
Plant and equipment - at cost	6,570,542	6,557,789
Less: Accumulated depreciation	(1,802,455)	(1,510,055)
	4,768,087	5,047,734
Manufacturing use assets - at cost	205,751	205,751
Less: Accumulated depreciation	(173,782)	(153,207)
	31,969	52,544
Total property, plant and equipment - at cost	6,944,660	6,931,907
Less: Accumulated depreciation	(1,976,237)	(1,663,262)
	4,968,423	5,268,645

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Assets in course of construction US\$	Plant and equipment US\$	Manufacturing use US\$	Total US\$
Consolidated				
Balance at 1 July 2020	168,367	5,047,734	52,544	5,268,645
Additions/transfers	-	12,753	-	12,753
Disposals/transfers	-	-	-	-
Depreciation expense	-	(292,400)	(20,575)	(312,975)
Balance at 31 December 2020	168,367	4,768,087	31,969	4,968,423

Note 5. Non-current assets – intangibles

	Consolidated	
	31 Dec 2020 US\$	30 Jun 2020 US\$
Development asset - at cost	5,232,900	5,232,900
Less: Impairment loss	(1,434,053)	(1,434,053)
Less: Accumulated amortisation	<u>(1,473,277)</u>	<u>(1,298,847)</u>
	<u>2,325,570</u>	<u>2,500,000</u>

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 2020	2,500,000
Impairment	-
Amortisation expense	<u>(174,430)</u>
Balance at 31 December 2020	<u>2,325,570</u>

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 (which are included in property, plant 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.

No impairment indicators were identified by management for the development asset as at 31 December 2020.

Note 6. Current liabilities - borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	US\$	US\$
Loan from related party – unsecured	-	76,830
Paycheck Protection Program (PPP) – unsecured	293,400	293,400
Loans payable – secured	570,492	606,508
Promissory notes – secured (Note 7(a))	816,908	-
	<u>1,680,800</u>	<u>976,738</u>

Gary Steinepreis and associated entity, Oakhurst Enterprises Pty Ltd provided funds to the Group of US\$76,830 which is repayable in Australian dollars (A\$111,490) for working capital on an unsecured and interest free basis which sum was repaid during the period.

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 is expected in the March quarter 2021.

Refer to note 7 for further information on assets pledged as security and financing arrangements.

Note 7. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	US\$	US\$
Loans payable – secured – note (b)	2,023,561	2,067,222
Promissory notes – secured – note (a)	403,098	1,211,818
	<u>2,426,659</u>	<u>3,279,040</u>

Note (a) 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. Balance due at 31 December 2020 is US\$403,098.
- (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. Balance due at 31 December 2020 is US\$816,908. 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	Original	Balance at 31
	US\$800,000	US\$4,000,000	December 2020
			US\$
Promissory note - current	-	816,908	816,908
Promissory note - non-current	403,098	-	403,098
	<u>403,098</u>	<u>816,908</u>	<u>1,220,006</u>

CFOAM Limited
Notes to the financial statements
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Note 7. Non-current liabilities – borrowings (continued)

Note (b) Loans payable – secured:

	Current	Non-current	Balance at 31 December 2020 US\$	Total Facility US\$	Interest rate
Secured loan - West Virginia Economic Development Authority (WVEDA)	108,885	899,800	1,008,685	1,200,000	3.46%
Secured loan – CONSOL Energy Inc.	-	1,123,761	1,123,761	1,100,000	2.00%
Secured loan – Summit Community Bank	461,607	-	461,607	600,000	6.49%
	<u>570,492</u>	<u>2,023,561</u>	<u>2,594,053</u>	<u>2,900,000</u>	

The loan payable to WVEDA is due on 14 February 2029 and the Summit Community Bank (**Summit**) 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 loans have been classified into current and non-current allocations – refer below for Summit.

The loan 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.

Loan Covenants

Under the terms of the Summit borrowing facility, CFOAM LLC is required to comply with a debt service coverage ratio of at least 1.20:1.00 assessed on a trailing 12 month basis.

In the event of non-compliance with this covenant Summit has the option to consider this an event of default and failure to cure provides Summit the option to increase the interest rate applicable to the facility by 1% or any other default option available to Summit.

This covenant was assessed for the first time for the year ending 30 June 2020 and CFOAM did not comply however, Summit agreed to waive the requirement up to 30 June 2021. Due to this the loan has been classified as a current liability.

Note 8. Issued Capital

	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	Shares	Shares	US\$	US\$
Ordinary shares - fully paid	<u>475,072,507</u>	<u>192,174,026</u>	<u>20,269,119</u>	<u>17,359,740</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	US\$
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	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	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	128,453
Cost of the contribution of capital				(37,169)
Balance	30 June 2020	<u>192,174,026</u>		<u>17,359,740</u>
Balance	1 July 2020	192,174,026		17,359,740
Issue of shares-converting loan	28 October 2020	13,333,333	US\$0.015	197,573
Issue of shares-entitlement offer	16 November 2020	88,256,757	US\$0.011	969,277
Issue of shares-shortfall offer	24 November 2020	167,975,058	US\$0.011	1,852,340
Issue of shares-converting loan	10 December 2020	13,333,333	US\$0.017	228,352
Cost of the contribution of capital				(338,163)
Balance	31 December 2020	<u>475,072,507</u>		<u>20,269,119</u>

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.

The Company also issued a total of 20,000,000 options exercisable at A\$0.03 each on or before 10 December 2023 as part of a mandate letter during the period. These options have been included in the cost of capital as they were issued as part of the capital raising. The fair value of the options was determined using the Black-Scholes model to be A\$372,322 (US\$285,906).

The Company also has on issue 3,690,690 options exercisable at A\$0.15 on or before 15 August 2022.

Note 9. Reserves

	Consolidated	
	31 Dec 2020	30 June 2020
	US\$	US\$
Equity reserve – non-controlling interests (note 11)	1,350,041	1,350,041
Share based payment reserve – performance rights	259,990	225,161
Option reserve	285,906	-
Foreign currency reserve	178,250	197,794
	<u>2,074,187</u>	<u>1,773,176</u>

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) Option reserve

The reserve is used to recognise the premium value of the options on issue.

(4) 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 10. Financial asset - Investment in Innovaero Technologies Pty Ltd

	Consolidated	
Financial assets at fair value through profit or loss (“FVPL”)	31 Dec 2020	30 June 2020
	US\$	US\$
Balance at 1 July	-	-
Acquisition	1,141,397	-
Foreign exchange movements	-	-
Fair value movement	-	-
Total financial assets at fair value	<u>1,141,397</u>	<u>-</u>

On 26 November 2020, the Company made a strategic investment of US\$1,141,397 (A\$1,550,000) in Innovaero Technologies Pty Ltd, an Australian Aerospace and Defence Technology business.

At 31 December 2020, the Company held an equity interest of 10.24% in Innovaero. The Directors have taken the approach to fair value the investment based on recent share raisings.

As at 31 December 2020, the fair value of the Company’s financial assets were assessed in accordance with AASB 9 Financial Instruments, and as a result there was no fair value change recognised in this financial period.

Fair Value of Financial Instruments

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

CFOAM Limited
Notes to the financial statements
31 December 2020

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2020.

31 December 2020	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at FVPL	-	-	1,141,397	1,141,397
	-	-	1,141,397	1,141,397

The fair value of the Level 3 financial assets have been based the cost of the acquisition of the asset on 26 November 2020. The directors consider this to reflect the investments fair value at reporting date.

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 \$3.5 million for the 25% interest. The group recognised an increase in non-controlling interests of \$2,149,959, representing 25% of the net assets of the Group's US operations and an increase in the equity reserve of \$1,350,041.

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 has resulted in the ownership structure being varied in CFOAM Corp (74.34% owned by CFOAM Limited, 25.66% owned by CONSOL Energy Inc), effective 31 December 2020.

This is summarised as follows:

	31 Dec 2020 US\$	31 Dec 2019 US\$
Equity reserve – non-controlling interests (note 9)	1,350,041	1,350,041
Non-controlling interest	2,379,092	2,149,959
Consideration received from CONSOL	3,729,133	3,500,000
	31 Dec 2020 US\$	31 Dec 2019 US\$
Non-controlling interest in CONSOL's initial investment	2,149,959	2,149,959
Non-controlling interest in CONSOL's further investment	229,134	-
Share of loss – carried forward	(956,577)	-
Share of loss for period	(344,553)	(54,007)
Non-controlling interest	1,077,963	2,095,952

Note 12. Related party transactions

Oakhurst Enterprises Pty Ltd, an entity associated with Gary Steinepreis, advanced A\$200,000 on a converting loan basis with a conversion rate of A\$0.015 each being 13,333,333 ordinary shares, which was approved by shareholders and converted during the period. The fair value of the shares on the date of issue to satisfy the converting loan was A\$280,000.

Oakhurst Enterprises Pty Ltd previously provided funds to the Group in the amount of US\$70,000 (A\$111,490) for working capital, which sum was increased by A\$38,510 during the period to being a total of A\$150,000, on an unsecured and interest free basis. This amount was repaid during this financial period after the successful capital raising.

Flemming B. Bjoernslev resigned as a director on 23 October 2020 and was not paid any remuneration during the period. Nicholas Ong was appointed on 24 October 2020 and is being remunerated as a non-executive director on a monthly fee of A\$4,000.

Note 13. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

CFOAM Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Gary Steinepreis
Director

25 February 2021
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of CFOAM Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of CFOAM Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

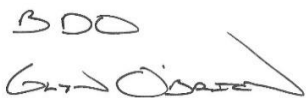
The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over the printed name.

Glyn O'Brien

Director

Perth, 25 February 2021