ACN 611 576 777

# Financial Report
# CFOAM Limited and its controlled entities
# For the year ended 30 June 2021

## CORPORATE DIRECTORY

**Directors**
Gary Steinepreis
*Non-Executive Chairman*

Todd Hoare
*Non-Executive Director*

Nicholas Ong
*Non-Executive Director*

**Registered Office**
Level 1
33 Ord Street
WEST PERTH WA 6005

Telephone: + 61 8 9420 9300
Facsimile: + 61 8 9420 9399

Website: www.cfoam.com

**Company Secretary**
Gary Steinepreis

**Share Registry**
Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth WA 6000
Investor enquiries: 1300 557 010
Telephone: +61 8 9323 2000
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**ASX Code**
CFO

**Solicitors**
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

**Auditor**

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

**CFOAM LIMITED**
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**FOR THE YEAR ENDED 30 JUNE 2021**

The Director's present their report, together with the financial report of CFOAM Limited and its 74.34% subsidiary, CFOAM Corp which wholly owns the operating entity CFOAM LLC (**Group**) for the year ended 30 June 2021 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

**Directors**
The names of the directors in office at any time during or since the end of the year are:

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

Particulars of each director's experience and qualifications are set out later in this report.

**Principal activity**

The principal activity of the Group is the commercialisation of the CFOAM business and an investor in other new technology companies.

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 the 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.

**Financial results**
The financial results of the Group for the year ended 30 June 2021 are presented in US$:

| | 30 June 2021 | 30 June 2020 |
|---|---:|---:|
| Cash and cash equivalents (US$) | 1,101,272 | 418,118 |
| Net assets (US$) | 6,257,638 | 4,437,608 |
| Total revenue from operations (US$) | 654,294 | 847,345 |
| Loss after income tax (US$) | (3,037,562) | (5,474,516) |

**Review of operations**
The Group continued to engage in its principal activity, the results of which are disclosed in the following financial statements.

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.

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.

On 12 May 2021, CFOAM announced that it had received binding commitments to raise A$4.14 million (before costs) through a two-tranche placement of 258,768,127 new shares at an issue price of A$0.016 (1.6 cents) per share (**Placement**). Tranche 1 of the Placement consisted of 118,768,127 shares issued under the Company's existing Listing Rule 7.1 and 7.1A capacity (**Tranche 1**) and settled on 19 May 2021 with the remaining 140,000,000 shares issued following shareholder approval (**Tranche 2**) and settled on 15 July 2021.

The net proceeds of the Placement are being utilised towards the CFOAM business, investment in Innovaero and for general working capital.

CFOAM has an anti-dilution right for a period to December 2021 in relation to its 10.24% interest in Innovaero. Innovaero is currently raising up to A$6m via a convertible note and CFOAM invested A$1,975,000 as part of the Placement. A$1,000,000 was invested as part of Tranche 1 and A$975,000 as part of Tranche 2.
This investment will maintain and increase CFOAM's interest in Innovaero when converted to equity. Innovaero is reviewing its options and may be considering an ASX listing later in 2021 and the conversion is

subject to 30% discount to an IPO valuation. CFOAM's current interest will increase from 10.24% to up to 17%, subject to the valuation conversion.

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

**Significant changes in state of affairs**
There have been no significant changes in the state of affairs of the group to the date of this report, not otherwise disclosed in this report.

**After balance date events**

The COVID-19 pandemic and the subsequent restrictions imposed by governments globally have caused disruption to many businesses and the associated economic activity. To date, the pandemic has not had a significant adverse effect on the Group's consolidated financial results.

The Group will continue to assess the impact of COVID-19 on existing projects and operations. The duration and spread of the pandemic and regulations imposed by governments continue to be closely monitored to determine any future impact on the Group.

CFOAM settled Tranche 2 of the Placement, being 140,000,000 shares at A$0.016 each to raise A$2,240,000 and the further A$975,000 investment in Innovaero by way of a convertible note on 15 July 2021 and on 12 August 2021 the Paycheck Protection Program (PPP) loan in the amount of US$333,800 was forgiven.

Other than this, there have been no other matters or circumstances, which have arisen since 30 June 2021 that have significantly affected or may significantly affect:
(a) the operations, in financial years subsequent to 30 June 2021, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2021, of the Group.

**Likely developments and expected results of operation**
The Group is proceeding with the commercial strategy for CFOAM products.

**Environmental regulation**
The Group's operations up to 30 June 2021 are not regulated by any significant environmental regulation laws other than operating within certain limits of Hazardous Air Pollutants at its manufacturing operations in West Virginia to ensure no environmental issues occur.

**Dividends paid, recommended and declared**
No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

**Indemnity and insurance of officers**
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.
During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**

During the year, the Group's auditor has performed certain other non-audit services in addition to the audit and review of financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Details of the amounts paid to the auditor, and its network firms for non-audit services provided during the year are set out below:

| | |
|---|---|
| *Non-Audit Services* | |
| Amounts paid/payable to BDO for tax compliance and advice | US$3,078 |

**Information Relating to Directors and Company Secretary**

| | |
|---|---|
| **Gary Steinepreis** | Chair (Non-executive) |
| Qualifications and Experience | Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and manufacturing industries. |
| Interest in Shares | 42,838,698 |
| Interest in options (unlisted) | 500,000 |
| Special Responsibilities | Company Secretary and Chair (Non-executive) |

| | |
|---|---|
| Directorships held in other listed entities during the three years prior to the current year | **Current**<br>Taruga Minerals Limited since 15 July 2016<br>Lachlan Star Limited since 18 January 2018<br>**Former**<br>Helios Energy Ltd 4 June 2010 to 11 September 2018 |
| **Todd Hoare** | Non-executive director |
| Qualifications and Experience | Mr Hoare holds a Bachelor of Commerce and Bachelor of Science (Mathematics) degree from the University of NSW. He has extensive capital markets experience - including fund raising, valuation and trading - across the globe, including Hong Kong, New York and Sydney. |
| Interest in Shares | 2,875,565 |
| Interest in options (unlisted) | 97,500 |
| Interest in Performance Rights | 150,000 |
| Special Responsibilities | Nil |
| **Chen Chik (Nicholas) Ong** | Non-executive director |
| Qualifications and Experience | Mr Ong brings 16 years' experience in listing rules compliance and corporate governance. He is experienced in mining project finance, mining and milling contract negotiations, mine CAPEX & OPEX management, and toll treatment reconciliation. Mr Ong is a Fellow of the Governance Institute of Australia and Fellow of Institute of Chartered Secretaries and Administrators. He holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia. He has since worked as a company secretary and director to listed companies. |
| Interest in Shares | - |
| Interest in options (unlisted) | - |
| Interest in Performance Rights | - |
| Special Responsibilities | Nil |
| Directorships held in other listed entities during the three years prior to the current year | **Current**<br>Helios Energy Ltd since 4 August 2017<br>White Cliff Minerals Ltd since 14 December 2018<br>Vonex Limited since 14 June 2016<br>Mie Pay Ltd since 15 July 2019<br>Beroni Group Ltd since 1 March 2021<br>Black Star Petroleum Ltd since 31 July 2018<br>**Former**<br>Arrow Minerals Ltd 15 June 2011 to 26 August 2019<br>CoAssets Ltd 18 March 2015 to 1 July 2019<br>Bojun Agriculture Holdings Ltd 6 June 2017 to 28 June 2018<br>Jiajiafu Modern Agriculture Ltd 2 April 2016 to 21 November 2017 |

**Former Director:**

**Flemming B. Bjoernslev**

| | |
|---|---|
| Qualifications and Experience | Mr Bjoernslev holds a bachelor degree from the University of Applied Sciences in Essen, Germany. He is an experienced executive, having spent 30 years in the chemical industry in Europe, Latin America and the United States. Most recently, Flemming was President & CEO of Lanxess Corporation and is currently an Operating Partner with the Virgo Investment Group, while also serving as an advisor to the North American chemical industry as a Senior Consultant at Cumberland Highstreet Partners. Previously, Flemming joined Bayer AG in 1986, and following his vocational training in Germany, embarked on an international career with Bayer, where he worked in several roles of increasing importance across various business groups in Europe and Latin America. In 2005, Bayer spun-off its chemical activities to form Lanxess AG, and Flemming continued his career with the newly-formed company. After setting up operations for Lanxess in Central Eastern Europe, he returned to North America in 2012 and was appointed President and CEO of Lanxess Corporation, overseeing fifteen global sites with 1,700 total employees and $2 billion in annual revenues. He served in this role until 2015. |

**Meetings of Directors**

During the financial year, the Board conducted the majority of its formal business via director's resolutions. A total of 4 meetings of directors (there were no committees of directors) were held. Attendances by each director during the year were as follows:

| | Number eligible to attend | Number attended |
|---|---|---|
| Gary Steinepreis | 4 | 4 |
| Todd Hoare | 4 | 4 |
| Flemming B. Bjoernslev | 1 | 1 |
| Nicholas Ong | 3 | 3 |

**Remuneration Report (Audited)**

The principles adopted by the Board are set out under the following main headings:

(1) Principles used to determine the nature and amount of remuneration
(2) Details of remuneration
(3) Employment contracts of Directors and Senior Executives
(4) Shared Based Compensation
(5) Other transactions with Key Management Personnel

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under section 300A of the Corporations Act 2001.

**1 Principles used to determine the nature and amount of remuneration**

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

**Remuneration Report (Audited)(Continued)**

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage / alignment of executive compensation;
(iv) transparency; and
(v) capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:
(i) focuses on sustained growth in shareholder wealth;
(ii) attracts and retains high calibre executives;
(iii) rewards capability and experience; and
(iv) provides a clear structure for earning rewards.

The Company is in a development phase and is focussed on implementing this strategy whilst continuing to grow its earnings. The Company has incurred losses over this period and invested significant capital. The financial report covers 2020 and 2021.

The Company performance is summarised for the 4 years to 30 June 2021 as follows:

| | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|
| Loss for the year (US$) | (3,037,562) | (5,474,516) | (5,932,385) | (3,511,954) |
| Basis loss per share (US$) | ($0.008) | ($0.03) | ($0.05) | ($0.03) |
| Closing share price (A$) | 1.6 cents | 2.7 cents | 15.5 cents | 15.5 cents |

***Remuneration Governance***

Fees and payments to directors and key management personnel reflect the demands and responsibilities of the positions and are in line with the general market and the financial condition of the Group. There are no minimum or maximum amounts. There is no remuneration committee. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at A$300,000 per annum as per the Group's constitution and may be varied by ordinary resolution of the shareholders in general meeting. The entire board which comprises three directors are responsible for remuneration packages. The Directors believe this is satisfactory given the size and complexity of Company operations.

***Use of Remuneration Consultants***

Remuneration consultants were not used in the establishment of remuneration packages for directors or key management personnel in 2021.

**Remuneration Report (Audited)(Continued)**

***Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration***

The Company is in a development phase and is currently making a loss from operations. This will require the raising of additional capital and or debt as indicated in the financial report. No relationship exists between the Company performance, earnings, shareholder wealth and Directors' and Executive Remuneration for this financial period and the previous financial periods.

The remuneration for the years ended 30 June 2020 and 30 June 2021 is detailed below. The Company has also established a performance rights plan and employee share option plan and intends to utilise this to incentivise management and directors, subject to shareholder approval, if required. Whilst not directly linked to Company performance, the rights vest on various milestones that are designed to align executive remuneration with shareholder interests. Note 4 in the remuneration report refers to performance related remuneration.

No dividends have been declared or paid during the financial year and there has been no return of capital.

The Company's securities are traded on the ASX.

***Comments and Voting at Annual General Meeting***

At the 2020 Annual General Meeting the Company remuneration report was passed by the requisite majority of shareholders (84.7% by a poll).

**2 Details of Remuneration**

The key management personnel of the Group, during the year, were:

| Directors: | Position: | Date Appointed | Date Resigned |
|---|---|---|---|
| Gary Steinepreis | Chair (Non-executive) / Company Secretary | 30 March 2016 | - |
| Todd Hoare | Non-executive director | 16 June 2017 | - |
| Nicholas Ong | Non-executive director | 24 October 2020 | - |
| Flemming B. Bjoernslev | Director | 1 May 2019 | 23 October 2020 |

The remuneration is detailed below and no bonuses have been paid for the period.

| | Short term employment benefits | | | |
|---|---|---|---|---|
| | Cash salary and fees | Equity settled | Total | Performance related |
| **2021** | US$ | US$ | US$ | % |
| *Non-Executive Directors:* | | | | |
| Gary Steinepreis | 47,808 | - | 47,808 | - |
| Todd Hoare | 47,808 | 1,232 | 49,040 | 2.51% |
| Nicholas Ong | 24,675 | - | 24,675 | - |
| Flemming B. Bjoernslev | - | - | - | - |
| | 120,291 | 1,232 | 121,523 | |

| | Short term employment benefits | | | | |
|---|---|---|---|---|---|
| | Cash salary and fees | Medical insurance – employer and employee | Equity settled | Total | Performance related |
| **2020** | US$ | US$ | US$ | US$ | % |
| *Non-Executive Directors:* | | | | | |
| Gary Steinepreis | 44,104 | - | - | 44,104 | - |
| Todd Hoare | 44,104 | - | 1,339 | 45,443 | 2.95% |
| Brian E. Joseph | - | - | 14,931 | 14,931 | 100% |
| *Director:* | | | | | |
| Flemming B. Bjoernslev [1] | 203,073 | - | 63,794 | 266,867 | 23.9% |

| | | | | | |
|---|---|---|---|---|---|
| *Other Key Management Personnel:* | | | | | |
| Toby Chandler | 23,864 | - | - | 23,864 | - |
| Mark Morse | 54,913 | - | - | 54,913 | - |
| | 370,058 | - | 80,064 | 450,122 | |

Note 1: Flemming Bjoernslev ceased executive director duties on 12 March 2020.

## 3 Employment Contracts of Directors and Senior Executives

Non-Executive Director Agreements - Todd Hoare, Gary Steinepreis
Fees: Directors fees of US$47,808 (A$64,000) per annum from 1 January 2019.
Non-Executive Director Agreement – Nicholas Ong
Fees: Directors fees of US$35,855 (A$48,000) per annum from 24 October 2020.
Flemming Bjoernslev ceased executive director duties on 12 March 2020 and was not remunerated for his role as a director up to his resignation on 23 October 2020.
Additional Executive Duties: work undertaken on additional executive duties will be paid at a commercial rate based on the project undertaken and work required. This does not form part of the non-executive director fee.
Terms and conditions: The non-executive Directors' appointments are subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the directors are not re-elected as a director by Shareholders. The Non-Executive Agreements otherwise contains terms and conditions that are considered standard for agreements of this nature.

## 4 Shared Based Compensation

### Ordinary shareholdings

Details of equity instruments held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

| **2021 Name** | **Held at 1/7/2020** | **Shares acquired** | **Other changes** | **Balance 30/6/2021** |
|---|---|---|---|---|
| **Directors:** | | | | |
| Gary Steinepreis | 12,645,157 | 30,193,541 | - | 42,838,698 |
| Todd Hoare | 2,875,565 | - | - | 2,875,565 |
| Flemming B. Bjoernslev [1] | 1,300,000 | - | (1,300,000) [1] | - |
| Nicholas Ong | - | - | - | - |
| **Total** | **16,820,722** | **30,193,541** | **(1,300,000)** | **45,714,263** |

Note 1: Due to the resignation from the position, the ordinary shares are no longer reportable.

### Other securities

Details of equity instruments held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

**Performance rights:**

| **2021 Name** | **Held at 1/7/2020** | **Other changes** | **Performance rights granted** | **Balance 30/6/2021** | **Vested & Unexercised** | **Unvested** |
|---|---|---|---|---|---|---|
| **Directors:** | | | | | | |
| Gary Steinepreis | - | - | - | - | - | - |
| Todd Hoare [1] | 150,000 | - | - | 150,000 | - | 150,000 |
| Nicholas Ong | - | - | - | - | - | - |
| Flemming B. Bjoernslev | - | - | - | - | - | - |
| **Total** | **150,000** | **-** | **-** | **150,000** | **-** | **150,000** |

Note 1: The balance of the performance rights expense is A$2,835. It is unlikely that these performance rights will vest.

Todd Hoare - Performance rights remuneration, approved by shareholders, for a total of 150,000 performance rights to vest as follows, subject to remaining an Eligible Participant:

- 75,000 Class A performance rights - 30 day volume weighted average share price (VWAP) for the shares on ASX is $0.60 or higher from the date of issue
- 75,000 Class B performance rights - 30 day VWAP for the shares on ASX is $0.90 or higher from the date of issue

The Company also issued 20,000,000 options exercisable at A$0.03 on or before 10 December 2023 as part of the capital raising mandate during the period and 3,690,690 options exercisable at A$0.15 on or before 15 August 2022 on a 1 for 4 basis as part of the placement at A$0.105 during the prior period. Other than these unlisted options, no person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Options:**

| **2021<br>Name** | **Held at<br>1/7/2020** | **Options<br>acquired** | **Other changes** | **Balance<br>30/6/2021** |
|---|---|---|---|---|
| **Directors:** | | | | |
| Gary Steinepreis | 500,000 | - | - | 500,000 |
| Todd Hoare | 97,500 | - | - | 97,500 |
| **Total** | **597,500** | **-** | **-** | **597,500** |

## 5 Other transactions with Key Management Personnel

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.

There have been no loans to Key Management Personnel.

**End of the audited remuneration report.**

A copy of the auditor's independence declaration as required by Section 307C of the Corporations Act 2001 is included in this Financial Report.

This report is made in accordance with a resolution of the Directors on 3 September 2021.

Gary Steinepreis
Director
Perth
3 September 2021

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Australia



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

As lead auditor of CFOAM Limited for the year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 3 September 2021

**CFOAM LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2021**

| | Notes | 30-June-21 | 30-June-20 |
|---|---|---|---|
| | | US$ | US$ |
| **Revenue** | | | |
| Revenue from operations | | 654,294 | 847,345 |
| Loan forgiveness | | 301,782 | - |
| Department of Energy-grant cost recovery | | 205,485 | - |
| Other income | | 101 | 10,137 |
| | | **1,161,662** | **857,482** |
| **Expenses** | | | |
| Impairment loss – development asset | 8 | - | (1,434,053) |
| Raw materials and consumables used | | (495,084) | (549,059) |
| Inventory writedown | 6 | (139,234) | (352,588) |
| Loss on sale of fixed assets | | (63,751) | - |
| Loan succession fee | | (49,000) | - |
| Legal fees | | (33,034) | (146,692) |
| Accounting and audit fees | | (45,760) | (44,173) |
| Australian securities exchange fees | | (45,720) | (48,670) |
| Travel and associated costs | | (4,692) | (23,943) |
| Premises lease | | (309,608) | (299,450) |
| Supplies | | (70,661) | (57,122) |
| Other expenses | | (656,492) | (538,585) |
| Foreign exchange loss | | (8,547) | (209,628) |
| Repairs and maintenance | | (138,686) | (140,851) |
| Professional services | | (261,652) | (335,667) |
| Employee salaries, consulting and benefits expense | | (536,005) | (749,507) |
| Share based payments | 15 | (10,286) | (127,626) |
| Depreciation and amortisation expense | | (1,048,673) | (1,014,161) |
| Finance costs | | (282,339) | (260,223) |
| | | **(4,199,224)** | **(6,331,998)** |
| **Loss from continuing operations before income tax** | | **(3,037,562)** | **(5,474,516)** |
| Income tax expense | 21 | - | - |
| **Loss from continuing operations after income tax** | | **(3,037,562)** | **(5,474,516)** |
| **Other comprehensive loss, net of tax** | | | |
| Items that may be reclassified to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | **(9,033)** | 303,492 |
| **Total comprehensive loss for the year** | | **(3,046,595)** | **(5,171,024)** |
| **Total loss for the year is attributable to:** | | | |
| Owners of CFOAM Limited | | **(2,386,865)** | **(4,517,939)** |
| Non-controlling interest | 14 | **(650,697)** | **(956,577)** |
| | | **(3,037,562)** | **(5,474,516)** |
| **Loss per share for loss attributable to the owners of CFOAM Limited** | | | |
| Basic loss per share | 26 | ($0.008) | ($0.03) |
| Diluted loss per share | 26 | ($0.008) | ($0.03) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

**CFOAM LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2021**

| | Notes | 30-June-21 | 30-June-20 |
|---|---|---|---|
| | | **US$** | **US$** |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 18(a) | 1,101,272 | 418,118 |
| Trade and other receivables | 5 (a) | 92,537 | 81,556 |
| Financial assets at fair value through profit or loss | 5 (b) | 775,650 | - |
| Inventories | 6 | 833,451 | 760,019 |
| **Total current assets** | | **2,802,910** | **1,259,693** |
| | | | |
| **Non-current assets** | | | |
| Financial assets at fair value through profit or loss | 5 (b) | 1,141,397 | - |
| Property, plant and equipment | 7 | 4,683,384 | 5,268,645 |
| Right of use assets | | 87,923 | 101,188 |
| Intangibles | 8 | 2,151,140 | 2,500,000 |
| **Total non-current assets** | | **8,063,844** | **7,869,833** |
| **TOTAL ASSETS** | | **10,866,754** | **9,129,526** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 373,880 | 332,222 |
| Lease liability | | 58,422 | 47,429 |
| Borrowings | 10 | 2,164,831 | 976,738 |
| **Total current liabilities** | | **2,597,133** | **1,356,389** |
| | | | |
| **Non-current liabilities** | | | |
| Lease liability | | 33,144 | 56,489 |
| Borrowings | 11 | 1,978,839 | 3,279,040 |
| **Total non-current liabilities** | | **2,011,983** | **3,335,529** |
| **TOTAL LIABILITIES** | | **4,609,116** | **4,691,918** |
| **NET ASSETS** | | **6,257,638** | **4,437,608** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 12 | 21,686,704 | 17,359,740 |
| Non-controlling interests | 14 | 771,818 | 1,193,382 |
| Reserves | 13 | 2,074,671 | 1,773,176 |
| Accumulated losses | 19 | (18,275,555) | (15,888,690) |
| **TOTAL EQUITY** | | **6,257,638** | **4,437,608** |

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

**CFOAM LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2021**

| 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 year | - | - | (2,386,865) | (2,386,865) | (650,697) | (3,037,562) |
| Other comprehensive income for the year, net of tax | - | (9,033) | - | (9,033) | - | (9,033) |
| Total comprehensive income for the year | - | (9,033) | (2,386,865) | (2,395,898) | (650,697) | (3,046,595) |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Contributions of equity | 4,728,626 | - | - | 4,728,626 | - | 4,728,626 |
| Costs of contributions of equity | (401,662) | - | - | (401,662) | - | (401,662) |
| Transactions with Non-controlling interest | - | - | - | - | 229,133 | 229,133 |
| Share-based payments | - | 310,528 | - | 310,528 | - | 310,528 |
| Balance at 30 June 2021 | 21,686,704 | 2,074,671 | (18,275,555) | 5,485,820 | 771,818 | 6,257,638 |

| 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 year | - | - | (4,517,939) | (4,517,939) | (956,577) | (5,474,516) |
| Other comprehensive income for the year, net of tax | - | 303,492 | - | 303,492 | - | 303,492 |
| Total comprehensive income for the year | - | 303,492 | (4,517,939) | (4,214,447) | (956,577) | (5,171,024) |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Contributions of equity | 4,167,587 | - | - | 4,167,587 | - | 4,167,587 |
| Costs of contributions of equity | (37,169) | - | - | (37,169) | - | (37,169) |
| Transactions with Non-controlling interest | - | 1,350,041 | - | 1,350,041 | 2,149,959 | 3,500,000 |
| Share-based payments | - | 47,206 | - | 47,206 | - | 47,206 |
| Balance at 30 June 2020 | 17,359,740 | 1,773,176 | (15,888,690) | 3,244,226 | 1,193,382 | 4,437,608 |

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

## CFOAM LIMITED
## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 30-June-21 US$ | 30-June-20 US$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 645,445 | 682,910 |
| Payments to suppliers and employees | | (3,064,141) | (3,380,694) |
| Receipt from government grant-cost recovery | | 180,809 | - |
| Interest received | | 101 | 112 |
| Interest and other finance costs paid | | (142,900) | (260,233) |
| Net cash used in operating activities | 18 | (2,380,686) | (2,957,905) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (347,724) | - |
| Receipt from government grant-plant and equipment | | 241,845 | - |
| Investment in Innovaero – equity and convertible note | 5(b) | (1,917,047) | - |
| Net cash used in investing activities | | (2,022,926) | - |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of shares including converting loan | | 4,592,749 | 1,699,482 |
| Costs of the offer | | (121,862) | (37,169) |
| Funds held in trust for the issue of shares | | 151,080 | - |
| Proceeds from CONSOL investment | | 229,133 | 3,500,000 |
| Repayment of convertible note | | - | (3,250,000) |
| Repayment of borrowings | | (281,081) | (247,295) |
| Proceeds from Paycheck Protection Program (PPP) | | 333,800 | 293,400 |
| Proceeds from borrowings | | 182,947 | 1,176,830 |
| Net cash provided by financing activities | | 5,086,766 | 3,135,248 |
| Net increase in cash and cash equivalents | | 683,154 | 177,343 |
| Cash and cash equivalents at the beginning of the financial year | | 418,118 | 240,775 |
| Effects of exchange rate changes on cash and cash equivalents | | - | - |
| Cash and cash equivalents at the end of the financial year | 18 | 1,101,272 | 418,118 |

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of CFOAM Limited and its wholly owned subsidiary, CFOAM, LLC (**Group**) for the year ended 30 June 2021.

The separate financial statements of the parent entity, CFOAM Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 3 September 2021 by the directors of the Company.

**Basis of Preparation**
These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

*Comparative information*
This report presents the financial information for the year ended 30 June 2021 and comparative information for the year ended 30 June 2020.

*Functional and presentation currency*
The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in United States dollars, which is the functional currency of CFOAM, LLC, from 1 July 2016.

*a)* ***Principles of Consolidation***
The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (CFOAM Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has a 74.34% investment in CFOAM Corp which has one wholly owned subsidiary being CFOAM LLC.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

*b)* ***Going concern***

For the year ended 30 June 2021 the Group recorded a loss from continuing operations after income tax of US$3,037,562 (2020: US$5,474,516) and had net cash outflows from operating activities of US$2,380,686 (2020: US$2,957,905) and net current assets of US$207,777 (2020: net current liabilities of US$96,696).

In addition to above, the Company's subsidiary (CFOAM LLC) has a finance facility with Summit Community Bank (Summit) as disclosed in Note 11. For the year ended 30 June 2021, this facility contained a covenant requiring a certain debt service coverage ratio to be maintained which was not complied with for the financial year ended 30 June 2021. Failure to be in compliance with this covenant provides Summit with the option of applying penalty interest rates along with other default options. On 27 August 2021, Summit waived this covenant for the year ended 30 June 2021.

The ability of the Group to continue as a going concern is dependent on maintaining the support of its financiers, continued sales of CFOAM's product and securing additional funding through raising of debt or equity to continue to fund the development activities and expansion of its business platform.

These conditions indicate a material uncertainty that may cast significant doubt about the Group'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 Directors expect to resolve the non-compliance with the covenant on the Summit facility with the financier and to maintain the facility as all payments have been made in line with the facility agreement;
- The Company's subsidiary (CFOAM CORP) expects to maintain the ongoing support of its shareholders including CFOAM Ltd and CONSOL Energy as evidenced by the proposed funding arrangements as outlined in Note 24 Events subsequent to balance date;
- CFOAM LLC has been successful for a financial assistance and funding opportunity (FOA) proposal to fund process development work over a 24 month period, which commenced on 1 January 2021;
- At the date of this report the Group has not received any letters of demand from creditors and expects to work with creditors to enable settlement in accordance with working capital availability;
- Included in current borrowings is US$333,800 relating to the Paycheck Protection Program (PPP), refer Note 10, the Directors have complied with all conditions attached to this funding and therefore the liability recognised has been forgiven with no cash outlay required by the Group subsequent to the end of the financial year;
- The directors expect the Group to be successful in securing additional funds through debt or equity issues, when and if required.

Should the 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.

*c)* ***New, revised or amending Accounting Standards and Interpretations adopted***

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

*d)* ***Cash and cash equivalents***

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

*e)* ***Trade and other payables***

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the Group that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

*f)* ***Share based payments***

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. A probability of the achievement of performance conditions is assigned and the share based payment expense is recognised over the estimated vesting period. The accounting estimates and assumptions relating to equity-settled share based payments may impact profit or loss and equity.

*g)* ***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of costs incurred per manufacturing run and resulting CFOAM panels produced and then assessed against the lower of cost and net realisable value where adjustments in the value of the inventory are made on a monthly basis.

*h)* ***Intangible assets***

Intangible assets acquired, other than goodwill, are initially measured at their relative fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. The development asset is amortised over a useful life of 15 years and customer contract over a 12 month period.

*i)* ***Revenue and other income***

Revenue is recognised when or as the Group transfers control of goods and services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

The primary geographic market in which the Group generates revenue is the United States of America.

Sale of goods – Revenue from the sale of goods is recognised at a point in time where the goods are delivered, the legal title has passed and the customer has accepted the goods, which is generally the time of delivery. In the instance where cash is received from the customer prior to control of the goods being transferred, a deferred revenue balance is recognised as a liability on the balance sheet until the point at which control has passed and the revenue can be recognised. All revenue is stated net of the amount of sales tax.

*j)* ***Impairment of assets***

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit and Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

*k)* ***Property, plant and equipment***

The Company records Assets under Construction and the depreciation of these items commences when the asset is commissioned.
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Office equipment | 1-5 years |
| Plant and equipment | 10-15 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.
An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

*l)* ***Borrowings and Borrowing Costs***

Loans and borrowings, including promissory notes, are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible securities were issued by the Company to raise funds for the business operations which includes embedded derivatives (option to convert the security to variable number of shares in the Company. The convertible security is recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible security will equate to the proceeds received and subsequently the liability is measured at fair value each reporting period. The fair value movements are recognised on the profit or loss as finance costs. General and specific borrowing costs that are directly attributable to Assets under Construction are capitalised during the period of time until the asset is commissioned and operating at normal capacity.

Other borrowing costs are expensed in the period in which they are incurred.

*m)* ***Financial Instruments***

*Classification*

From 1 July 2018 the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

*Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. 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.

*Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income or expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income or expenses and impairment losses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income or expenses in the period in which it arises.

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.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other income or expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*Impairment*

From 1 July 2018 the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology depends on whether there has been a significant increase in credit risk.

*n)* ***Issued Capital***

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### o) *Current and non-current classification*

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

### p) *Fair value measurement*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### q) **Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

r) **Foreign Currency Translation**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position are translated at the closing rate at the date of the statement of financial position;
(ii) Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at the average exchange rate for the period being reported on; and
(iii) All resulting exchange differences are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in the foreign currency translation reserve, if material. When a foreign operation is sold, the associated exchange differences are reclassified to the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

s) **Trade & other receivables**

Trade and other receivables are recognised at amortised cost using the effective interest rate method, less any allowance for expected credit losses.
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9 to determine any allowances for expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience. The amounts held in trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these trade and other receivables, it is expected that the amounts will be received when due.

t) **Non-controlling interests**
Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

u) **Changes in ownership interests**
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to on-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of CFOAM Limited.

v) **Government grants**

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the cost that they are intended to compensate. When government grants are received in relation to capital assets, any such grants are offset against the costs of the associated capital assets in the statement of financial position.

w) **Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Pinnacle Listed Comprehensive Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2020**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the 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.

*Share based payments*

The group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. A probability of the achievement of performance conditions is assigned and the share based payment expense is recognised over the estimated vesting period. The accounting estimates and assumptions relating to equity-settled share based payments may impact profit or loss and equity.

*Intangibles*

The development asset being the CFOAM product was acquired as part of the asset acquisition. The intangible is subsequently amortised on a straight line basis over its estimated useful life. The group estimates the useful life of the asset to be 15 years. The actual useful life may be shorter or longer than 15 years, depending on the technical innovations and competitor actions.

*Impairment of Assets*

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit and Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

*Inventory*

The Group has allowed for an inventory reserve which represents an estimate of re-work costs to existing work-in-progress billet units and a general write-down. A percentage of completion method was used to value Work in Progress inventory. As in the past, a total cost per unit is calculated. This cost is then applied to the inventory on a percentage of completion basis. Depending on the manufacturing state that the material is in, its supplied a percentage of completion. The calculated cost is then applied to the inventory using its percentage of completion, thus properly valuing the inventory as it progresses through the manufacturing process.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*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.

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 4. 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 5. FINANCIAL ASSETS

| 5 (a) TRADE AND OTHER RECEIVABLES | Consolidated 30 June 2021 US$ | 30 June 2020 US$ |
|---|---|---|
| Prepayments | 21,190 | 34,277 |
| Trade and other receivables | 71,347 | 47,279 |
| | 92,537 | 81,556 |

As at 30 June 2021 no trade or other receivables were significantly aged or impaired (2020:Nil). Refer to Note 20 for information on the Financial Risk Management Policy of the Company.

### 5 (b) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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 30 June, the Company held an equity interest of 10.24% in Innovaero.

On 12 May 2021, the Company invested US$775,650 (A$1,000,000) in Innovaero Technologies Pty Ltd via a convertible note as part of Innovaero's capital raising strategy. This investment will maintain and increase CFOAM's interest in Innovaero when converted to equity.

The Directors have taken the approach to fair value the financial assets based on recent share raisings.

As at 30 June 2021, the fair value of the financial assets were assessed in accordance with the AASB 9 Financial Instruments, and as a result there was no fair value change recognised in the financial year.

*i) Classification of financial assets at fair value through profit or loss*

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

| | Consolidated 30 June 2021 US$ | 30 June 2020 US$ |
|---|---|---|
| **Current assets** | | |
| Convertible note in Innovaero Technologies Pty Ltd (**Innovaero)** | 775,650 | - |
| | 775,650 | - |
| **Non-current assets** | | |
| Investment in Innovaero | 1,141,397 | - |
| | 1,141,397 | - |

*(ii) Risk exposure and fair value measurements*

Information about the group's exposure to price risk is provided in note 20. For information about the methods and assumptions used in determining fair value refer to note 20.

## NOTE 6. INVENTORIES

| | Consolidated 30 June 2021 US$ | Consolidated 30 June 2020 US$ |
|---|---|---|
| Finished goods | 702,860 | 601,701 |
| Raw materials | 79,161 | 34,130 |
| Work in progress | 51,430 | 124,188 |
| | 833,451 | 760,019 |

Note:

(i) There are no interest or finance costs included in inventories.

(iii) Amounts recognised in profit and loss – write-downs of inventories to net realisable value amounted to US$139,234 (2020-US$352,588). These were recognised as an expense during the year ended 30 June 2021 and included in the profit or loss.

## NOTE 7. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated 30 June 2021 US$ | Consolidated 30 June 2020 US$ |
|---|---|---|
| Assets in course of construction | 261,496 | 168,367 |
| Plant and equipment - at cost | 6,447,104 | 6,557,789 |
| Less: Accumulated depreciation | (2,036,610) | (1,510,055) |
| | 4,410,494 | 5,047,734 |
| Manufacturing use assets - at cost | 205,751 | 205,751 |
| Less: Accumulated depreciation | (194,357) | (153,207) |
| | 11,394 | 52,544 |
| Total property, plant and equipment - at cost | 6,914,351 | 6,931,907 |
| Less: Accumulated depreciation | (2,230,967) | (1,663,262) |
| | 4,683,384 | 5,268,645 |

During the year, the Group recognised US$447,330 in government grants from the United States Department of Energy's (DOE) Office of Fossil Energy (FE). Of these amounts received, US$241,845 related to reimbursements for eligible plant and equipment and was therefore offset against costs capitalised in property, plant and equipment. The remaining amount of US$205,485 was recognised as income in the consolidated statement of profit or loss.

*Reconciliations*

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

| Consolidated | Assets in course of construction US$ | Plant and equipment US$ | Manufacturing use US$ | Total US$ |
|---|---|---|---|---|
| Balance at 1 July 2020 | 168,367 | 5,047,734 | 52,544 | 5,268,645 |
| Additions | 334,974 | 12,750 | - | 347,724 |
| Disposals/Transfers | (241,845) | (66,164) | - | (308,009) |
| Depreciation expense | - | (583,826) | (41,150) | (624,976) |
| Balance at 30 June 2021 | 261,496 | 4,410,494 | 11,394 | 4,683,384 |

| Consolidated | Assets in course of construction US$ | Plant and equipment US$ | Manufacturing use US$ | Total US$ |
|---|---|---|---|---|
| Balance at 1 July 2019 | 451,470 | 5,342,865 | 93,694 | 5,888,029 |
| Additions | - | - | - | - |
| Disposals/Transfers | (283,103) | 281,840 | - | (1,263) |
| Depreciation expense | - | (576,971) | (41,150) | (618,121) |
| Balance at 30 June 2020 | 168,367 | 5,047,734 | 52,544 | 5,268,645 |

## NOTE 8. INTANGIBLES

| | Consolidated | |
|---|---|---|
| | **30 June 2021** | **30 June 2020** |
| | **US$** | **US$** |
| Development asset - at cost | 5,232,900 | 5,232,900 |
| Less: Impairment loss – note (a) | (1,434,053) | (1,434,053) |
| Less: Accumulated amortisation | (1,647,707) | (1,298,847) |
| | 2,151,140 | 2,500,000 |

Note (a) The Board views the Group as one CGU (CFOAM CGU), the Board has determined the recoverable amount of the CFOAM CGU by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets. The method applied was the market approach based on the current market capitalisation (number of shares on issue multiplied by the quoted market price per share on a VWAP (Volume Weighted Average Price) basis) of the Group on the Australian Securities Exchange (ASX).

The recoverable value is a Level 1 measurement based on observable inputs of publicly traded shares in an active market. At 30 June 2021, the value of the Group's net assets was less than this recoverable amount, and accordingly, no impairment expense has been recognised for the year.

*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 | (348,860) |
| Balance at 30 June 2021 | 2,151,140 |
| | |
| Balance at 1 July 2019 | 4,282,913 |
| Impairment | (1,434,053) |
| Amortisation expense | (348,860) |
| Balance at 30 June 2020 | 2,500,000 |

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 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.

## NOTE 9. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 30 June 2021 US$ | 30 June 2020 US$ |
| Trade creditors | 61,876 | 95,306 |
| Funds held in trust – proceeds for share issue | 151,080 | - |
| Accruals | 160,924 | 236,916 |
| | 373,880 | 332,222 |

## NOTE 10. CURRENT LIABILITIES – BORROWINGS

| | Consolidated | |
|---|---|---|
| | 30 June 2021 US$ | 30 June 2020 US$ |
| Loan from related party – unsecured | - | 76,830 |
| Loan payable – CONSOL Energy Inc – unsecured | 182,946 | - |
| Paycheck Protection Program (PPP) – unsecured | 333,800 | 293,400 |
| Loans payable – secured (Note 11b) | 533,397 | 606,508 |
| Promissory notes – secured (Note 11a) | 1,114,688 | - |
| | 2,164,831 | 976,738 |

The PPP is a US government backed loan related to COVID-19 measures. During the period, the loan of US$293,400 was forgiven and a further loan of US$333,800 was advanced. The Group confirms that the US$333,800 loan has been forgiven subsequent to the end of the financial year on 12 August 2021.

Refer to note 11 for further information on assets pledged as security and financing arrangements.

## NOTE 11. NON-CURRENT LIABILITIES - BORROWINGS

| | Consolidated | |
|---|---|---|
| | 30 June 2021 US$ | 30 June 2020 US$ |
| Loans payable – secured – note (b) | 1,978,839 | 2,067,222 |
| Promissory notes – secured – note (a) | - | 1,211,818 |
| | 1,978,839 | 3,279,040 |

Note (a) Promissory Notes – secured:

Promissory notes issued are as follows:

(i) Original US$800,000 promissory note with an interest rate of 3% per annum, and which is secured by a first lien security interest over 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 is due on 30 June 2022.

(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. 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:

| ***30 June 2021*** | Original US$800,000 | Original $4,000,000 | Balance at 30 June 2021 US$ |
|---|---|---|---|
| Promissory note-current | 403,098 | 711,590 | 1,114,688 |
| Promissory note - non-current | - | - | - |
| | 403,098 | 711,590 | 1,114,688 |

| ***30 June 2020*** | Original US$800,000 | Original $4,000,000 | Balance at 30 June 2020 US$ |
|---|---|---|---|
| Promissory note-current | - | - | - |
| Promissory note - non-current | 403,098 | 808,720 | 1,211,818 |
| | 403,098 | 808,720 | 1,211,818 |

Note (b) Loans payable – secured:

| ***30 June 2021*** | Current | Non-current | Balance at 30 June 2021 US$ | Total Facility US$ | Interest |
|---|---|---|---|---|---|
| Secured loan - West Virginia Economic Development Authority (WVEDA) | 110,844 | 843,793 | 954,637 | 1,200,000 | 3.46% |
| Secured loan – CONSOL Energy Inc. | - | 1,135,046 | 1,135,046 | 1,100,000 | 2.00% |
| Secured loan – Summit Community Bank | 422,553 | - | 422,553 | 600,000 | 6.49% |
| | 533,397 | 1,978,839 | 2,512,236 | 2,900,000 | |

| ***30 June 2020*** | Current | Non-current | Balance at 30 June 2020 US$ | Total Facility US$ | Interest |
|---|---|---|---|---|---|
| Secured loan - West Virginia Economic Development Authority (WVEDA) | 107,078 | 954,633 | 1,061,711 | 1,200,000 | 3.46% |
| Secured loan – CONSOL Energy Inc. | - | 1,112,589 | 1,112,589 | 1,100,000 | 2.00% |
| Secured loan – Summit Community Bank | 499,430 | - | 499,430 | 600,000 | 6.49% |
| | 606,508 | 2,067,222 | 2,673,730 | 2,900,000 | |

The loans payable to WVEDA is due on 14 February 2029 and Summit Community Bank 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 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 Summit Community Bank (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 is required to be assessed annually commencing for the year ending 30 June 2020. While CFOAM has not yet lodged its compliance certificate with the bank it is not expected to comply with this covenant as at 30 June 2021. As a result, the entire balance of the facility has been classified as current in the statement of financial position.

## NOTE 12. ISSUED CAPITAL

| | Consolidated | | | |
|---|---|---|---|---|
| | 30 June 2021 Shares | 30 June 2020 Shares | 30 June 2021 US$ | 30 June 2020 US$ |
| Ordinary shares - fully paid (US$) | 593,840,634 | 192,174,026 | 21,686,704 | 17,359,740 |

*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 | 1,844,090 |
| Issue of shares-convertible note (a) | 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 (a) | 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 | 192,174,026 | | 17,359,740 |
| Balance | 1 July 2020 | 192,174,026 | | 17,359,740 |
| Issue of shares-converting loan | 28 October 2020 | 13,333,333 | US$0.0148 | 197,573 |
| Issue of shares-converting loan | 10 December 2020 | 13,333,333 | US$0.0171 | 228,352 |
| Entitlement offer to shareholders | 16 November 2020 | 88,256,757 | US$0.011 | 969,277 |
| Issue of shortfall shares to entitlement offer | 24 November 2020 | 167,975,058 | US$0.011 | 1,852,340 |
| Issue of shares-placement | 18 May 2021 | 118,768,127 | US$0.012 | 1,481,084 |
| Cost of the contribution of capital | | | | (401,662) |
| Balance | 30 June 2021 | 593,840,634 | | 21,686,704 |

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.

Note (a) An agreement was reached with the Convertible Noteholders, that the Noteholder agreed to convert all its principal and interest relating to the Convertible Notes issued by the Company on the basis that the Noteholder would receive an additional 1.25 shares for every share converted at a nil issue price.

The Company also issued 20,000,000 options exercisable at A$0.03 on or before 10 December 2023 as part of the capital raising mandate 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 on a 1 for 4 basis as part of the placement at A$0.105 during the prior period.

## NOTE 13. RESERVES

| | Consolidated | |
|---|---|---|
| | 30 June 2021 | 30 June 2020 |
| | US$ | US$ |
| Equity reserve – non-controlling interests (note 14) | 1,350,041 | 1,350,041 |
| Share based payment reserve – performance rights and options | 535,689 | 225,161 |
| Foreign currency reserve | 188,941 | 197,974 |
| | 2,074,671 | 1,773,176 |

*Movements in reserves*

| | Consolidated | |
|---|---|---|
| | 30 June 2021 | 30 June 2020 |
| **Share based payment reserve – performance rights and options** | US$ | US$ |
| Balance at beginning of period as at 1 July 2020 | 225,161 | 177,955 |
| Share based payment expense for the period | 310,528 | 47,206 |
| Balance at the end of the period as at 30 June 2021 | 535,689 | 225,161 |

| | Consolidated | |
|---|---|---|
| | 30 June 2021 | 30 June 2020 |
| **Foreign currency reserve** | US$ | US$ |
| Balance at beginning of period as at 1 July 2020 | 197,974 | (105,518) |
| Movement for the period | (9,033) | 303,492 |
| Balance at the end of the period as at 30 June 2021 | 188,941 | 197,974 |

**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 and options*

The share based payment reserve is used to recognise the fair value of performance rights issued to employees but not converted into ordinary shares and for options issued under the capital raising mandate. 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 or when the options are exercised.

*(3) 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 14. NON-CONTROLLING INTERESTS

On 6 December 2019, CONSOL Energy Inc (CONSOL) acquired a 25% interest in the Group's US operations, via CFOAM Corp which is the holding company for CFOAM LLC, whose operations are in Triadelphia, West Virginia. CONSOL provided cash consideration of US$3.5 million for the 25% interest. The group recognised an increase in non-controlling interests of US$2,149,959, representing 25% of the net assets of the Group's US operations and an increase in the equity reserve of US$1,350,041.

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.

The accounting for this transaction is in accordance with the accounting policy outlined in Note 1.

This is summarised as follows:

| | 30 June 2021<br>US$ |
|---|---|
| Equity reserve – non-controlling interests (note 13) | 1,350,041 |
| Non-controlling interest | 2,149,959 |
| Consideration received from CONSOL | 3,500,000 |

| | 30 June 2021<br>US$ |
|---|---|
| Non-controlling interest in CONSOL's initial investment | 2,149,959 |
| Additional investment in current period | 229,133 |
| Share of loss – carried forward | (956,577) |
| Share of loss for period | (650,697) |
| Non-controlling interest at 30 June 2021 | 771,818 |

Summarised balance sheet of CFOAM Corp and CFOAM LLC:

| | 30 June 2021<br>US$ | 30 June 2020<br>US$ |
|---|---|---|
| Current assets | 1,058,480 | 1,245,592 |
| Current liabilities | (2,527,696) | (1,116,896) |
| Current net assets | (1,469,216) | 128,696 |
| Non-current assets | 6,922,447 | 7,869,833 |
| Non-current liabilities | (2,415,081) | (3,335,529) |
| Non-current net assets | 4,507,366 | 4,535,304 |
| Net assets | 3,038,150 | 4,663,000 |

Summarised statement of comprehensive income of CFOAM Corp and CFOAM LLC:

| | 30 June 2021<br>US$ | 30 June 2020<br>US$ |
|---|---|---|
| Revenue from operations | 654,294 | 947,345 |
| | | |
| Loss for the period | (2,541,382) | (4,902,392) |
| Other comprehensive loss | - | - |
| Total comprehensive loss | (2,541,382) | (4,902,392) |
| | | |
| Loss allocated to non-controlling interest | 650,697 | 956,577 |

## NOTE 15 SHARE BASED PAYMENTS

In the prior years, the Company had issued various performance rights and options to directors, consultants and staff. The performance rights and options are a performance-based remuneration incentive which provides the opportunity for the participant to become a shareholder in the Company and deliver long-term shareholder returns.

| **2021**<br>**Performance rights** | **Milestone** | **Number** | **Amount expensed**<br>**US$** | **Total fair value**<br>**US$** | **Share price at grant date**<br>**US$** |
|---|---|---|---|---|---|
| Employee Incentive plan | - | 200,000 | 1,492 | 43,707 | 0.117 |
| Employee Incentive plan | - | 375,000 | - | 15,687 | 0.038 |
| | | | | | |
| **Approved by shareholders** | | | | | |
| Performance Rights | A | 75,000 | 1,232 | 6,163 | 0.257 |
| Performance Rights | B | 75,000 | 258 | 1,289 | 0.257 |
| Performance Rights | E | 166,666 | - | 41,707 | 0.257 |
| Performance Rights | F | 166,667 | - | 41,707 | 0.257 |
| Performance Rights | G | 166,667 | 7,304 | 41,707 | 0.257 |
| Balance at 30 June 2021 | | **1,225,000** | **10,286** | **191,967** | |

| **2020**<br>**Performance rights** | **Milestone** | **Number** | **Amount expensed**<br>**US$** | **Total fair value**<br>**US$** | **Share price at grant date**<br>**US$** |
|---|---|---|---|---|---|
| Employee Incentive plan | - | 200,000 | 6,648 | 39,291 | 0.117 |
| Employee Incentive plan | - | 375,000 | 14,102 | 14,102 | 0.038 |
| | | | | | |
| **Approved by shareholders** | | | | | |
| Performance rights issued and converted to ordinary shares | | 1,300,000<br>(1,300,000) | 83,939 | 83,939 | 0.065 |
| Performance Rights | A | 75,000 | 1,107 | 5,540 | 0.257 |
| Performance Rights | B | 75,000 | 232 | 1,158 | 0.257 |
| Performance Rights | E | 166,666 | - | 37,492 | 0.257 |
| Performance Rights | F | 166,667 | 9,615 | 37,493 | 0.257 |
| Performance Rights | G | 166,667 | 11,983 | 37,493 | 0.257 |
| Balance at 30 June 2020 | | **1,225,000** | **127,626** | **256,508** | |

### Issued during the period

There were no performance rights issued during the year.

**Milestone: (each a Vesting Condition)**

(i) (**Class A**): Class A Performance Rights shall vest and become exercisable on and from the date the Company's 30 day Volume Weighted Average Share Price (**VWAP**) on the ASX is equal or greater than $0.60 from the date of issue.

(ii) (**Class B**): Class B Performance Rights vest and become exercisable on and from the date the Company's 30 day VWAP on the ASX is equal or greater than $0.90 from the date of issue.

(iii) (**Class E**): Class E Performance Rights vest and become exercisable on and from 15 January 2019.

(iv) (**Class F**): Class F Performance Rights vest and become exercisable on and from 15 January 2020.

(v) (**Class G**): Class G Performance Rights vest and become exercisable on and from 15 January 2021.

**Lapse**

If the Vesting Condition is not achieved by the required date or the Conversion Notice not given to the Company by the required date or the Holder is no longer an Eligible Participant, then the relevant Performance Right will automatically lapse.

## NOTE 16: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2021 (2020: nil).

## NOTE 17. 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.

CFOAM, LLC is a 74.34% owned subsidiary of CFOAM via CFOAM Corp. Transactions between the entities are eliminated upon consolidation.

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|---|---|---|
| **Services provided by directors and key management personnel and recognised as an expense** | **30 June 2021 US$** | **30 June 2020 US$** |
| Short term employee benefits | 120,291 | 370,058 |
| Post-employment benefits | - | - |
| Share based payments | 1,232 | 80,064 |
| | **121,523** | **450,122** |

Detailed remuneration disclosures with regard to the amounts paid to directors are provided in the audited remuneration report in the directors' report.

## NOTE 18. CASH AND CASH EQUIVALENTS

### (a) Reconciliation to cash at the end of the period

| | Consolidated 30 June 2021 US$ | Consolidated 30 June 2020 US$ |
|---|---|---|
| Cash at bank and in hand | 1,101,272 | 418,118 |

### (b) Reconciliation of net loss after income tax to net cash flows used in operating activities

| | Consolidated 30 June 2021 US$ | Consolidated 30 June 2020 US$ |
|---|---|---|
| Net loss after income tax | (3,037,562) | (5,474,516) |
| Depreciation and amortisation | 1,048,680 | 1,014,161 |
| Shares issued for non-cash consideration | - | 105,978 |
| Fair value adjustment on shares issued | 135,876 | - |
| Right to use assets - amortisation | 4,585 | - |
| Loan forgiven | (293,400) | - |
| Share based payments | 30,728 | 123,396 |
| Impairment expense | - | 1,434,053 |
| Inventory provision | 139,234 | - |
| Foreign currency reserve | (9,033) | - |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in inventory | (212,666) | 271,688 |
| Increase (Decrease) in prepayments and other receivables | (10,981) | 176,761 |
| Increase (Decrease) in trade and other payables | (176,147) | (609,426) |
| Net cash flows used in operating activities | (2,380,686) | (2,957,905) |

### (c) Reconciliation of cash and non-cash movements in liabilities arising from financing activities

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | 2020 | Cash flows | Accruals | Issue of shares | Fair value changes | 2021 |
| Total Loans payable | 3,043,960 | (197,924) | - | - | | 2,846,036 |
| Total Promissory note | 1,211,818 | (97,130) | - | - | - | 1,114,688 |
| Total liabilities from financing liabilities | 4,255,778 | (295,054) | - | - | | 3,960,724 |

### (d) Fair value adjustment

The Group recorded a non-cash adjustment of US$135,876 relating to a fair value adjustment of the converting loans when converted to ordinary shares.

## NOTE 19. ACCUMULATED LOSSES

| | Consolidated | |
|---|---|---|
| | **30 June 2021** | **30 June 2020** |
| | **US$** | **US$** |
| Balance at beginning of period | 15,888,690 | 11,370,751 |
| Loss after income tax expense for the period | 2,386,865 | 4,517,939 |
| Balance at the end of the period | 18,275,555 | 15,888,690 |

## NOTE 20: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable and promissory notes. The Group's activities expose it to a variety of financial risks; market risk (including fair value and interest rate risk), credit risk, liquidity risk, foreign exchange fluctuations, cash flow and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the board of directors under policies approved by the Board. The board identifies and evaluates financial risks for overall risk management.

### Interest Rate Risk

As the Group has no significant interest bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The risk arises due to changes in interest rates offered by the bank. The risk is managed by seeking alternative quotes from competing banks.

The secured bank loans, secured promissory notes and convertible notes have a fixed interest rate and there is an inherent fair value risk.

| **2021** | **Floating interest rate** | **Fixed interest rate** | **Non-interest bearing** | **Total** | **Weighted average effective interest rate** |
|---|---|---|---|---|---|
| **Financial Instruments** | **US$** | **US$** | **US$** | **US$** | **%** |
| *Financial assets* | | | | | |
| Cash assets | 1,101,272 | - | - | 1,101,272 | - |
| Financial assets at fair value through profit or loss | 1,917,097 | - | - | 1,917,097 | |
| Trade and other receivables | - | - | 92,537 | 92,537 | - |
| Total financial assets | **3,018,369** | **-** | **92,537** | **3,110,906** | |
| *Financial liabilities* | | | | | |
| Lease liability – current | - | 58,422 | - | 58,422 | 5% |
| Lease liability – non-current | - | 33,144 | - | 33,144 | 5% |
| Paycheck Protection Program (PPP) | - | - | 333,800 | 333,800 | - |
| Promissory notes - current | - | 1,114,688 | - | 1,114,688 | 2 – 5 % |
| Loans - current | - | 533,397 | - | 533,397 | 3.64 - 6.58% |
| Loans – non-current | - | 1,978,839 | - | 1,978,839 | 2 – 6.58% |
| Total financial liabilities | **-** | **3,718,490** | **333,800** | **4,052,290** | |

| 2020<br>Financial Instruments | Floating interest rate US$ | Fixed interest rate US$ | Non-interest bearing US$ | Total US$ | Weighted average effective interest rate % |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Cash assets | 418,118 | - | - | 418,118 | - |
| Trade and other receivables | - | - | 81,556 | 81,556 | - |
| Total financial assets | **418,118** | **-** | **81,556** | **499,674** | |
| | | | | | |
| Financial liabilities | | | | | |
| Lease liability – current | - | 47,429 | - | 47,429 | 5% |
| Lease liability – non-current | - | 56,489 | - | 56,489 | 5% |
| Loan from related party | - | - | 76,830 | 76,830 | - |
| Paycheck Protection Program (PPP) | - | - | 293,400 | 293,400 | - |
| Loans - current | - | 606,508 | - | 606,508 | 3.64 - 6.58% |
| Loans – non-current | - | 2,067,222 | - | 2,067,222 | 2 – 6.58% |
| Promissory notes-non-current | - | 1,211,818 | - | 1,211,818 | 2 – 5% |
| Total financial liabilities | **-** | **3,989,466** | **370,230** | **4,359,696** | |

The net fair value of financial assets and liabilities are materially in line with their carrying values. The assets pledged as security support the fair value.

**Sensitivity Analysis – Interest Rate Risk**

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in interest rates.

| | | Increase 1% | | Decrease 1% | |
|---|---|---|---|---|---|
| **30 June 2021** | **Carrying Amount US$** | **Profit US$** | **Equity US$** | **Profit US$** | **Equity US$** |
| Cash and cash equivalents | 1,101,272 | 11,013 | - | (11,013) | - |

| | | Increase 1% | | Decrease 1% | |
|---|---|---|---|---|---|
| **30 June 2020** | **Carrying Amount US$** | **Profit US$** | **Equity US$** | **Profit US$** | **Equity US$** |
| Cash and cash equivalents | 418,118 | 4,181 | - | (4,181) | - |

**Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has issued promissory notes as part of the Asset Purchase Agreement and obtained new loans to funds its expansion and its risk with regard to liquidity relates to its ability to maintain its current operations prior to the generation of future income streams and growth strategies to ensure it meets its commitments. The Group's ability to raise equity funding in the market is paramount in this regard. The Group manages liquidity by monitoring its budgeted commitments for at least 12 months and raising capital and/or debt as required to fund its business platform.

| **As at 30 June 2021** | Less than 6 months US$ | 6-12 months US$ | 1-5 years US$ | Over 5 years US$ | Total contractual US$ | Carrying amount US$ |
|---|---|---|---|---|---|---|
| Lease liability | 29,211 | 29,211 | 33,144 | - | 91,566 | 91,566 |
| Trade and other payables | 222,800 | - | - | - | 222,800 | 222,800 |
| Borrowings | 711,590 | 513,942 | 2,290,548 | - | 3,626,924 | 3,626,924 |

| **As at 30 June 2020** | Less than 6 months US$ | 6-12 months US$ | 1-5 years US$ | Over 5 years US$ | Total contractual US$ | Carrying amount US$ |
|---|---|---|---|---|---|---|
| Lease liability | 23,714 | 23,715 | 56,489 | - | 103,918 | 103,918 |
| Trade and other payables | 332,222 | - | - | - | 332,222 | 332,222 |
| Borrowings | 884,885 | 91,853 | 3,279,040 | - | 4,255,778 | 4,255,778 |

**Credit Risk**

Credit risk is the risk of financial loss to the Group is a customer our counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group limits its exposure to credit risk from trade receivables through regular review and the balance at balance date was US$36,430 (2020-US$47,279). At the reporting date, the Group has no significant concentrations of credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

| **Cash at bank** | **2021 US$** | **2020 US$** |
|---|---|---|
| Westpac Banking Corporation - AA | 958,529 | 2,949 |
| Summit Community Bank (not rated) | 142,743 | 415,169 |
| | 1,101,272 | 418,118 |

**Price Risk**

The Group is not exposed to commodity price risk.

**Foreign Currency Risk**

The group's operations are in US$. The group has exposure foreign currency risk at the end of the financial period as follows:

| | **2021 US$** | **2020 US$** |
|---|---|---|
| Cash and cash equivalents | 11,819 | 135 |

Foreign currency exposure above relates to US dollars held by the Australian parent entity which has an AUD functional currency. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

Translation exposures arise from financial and non-financial items held by an entity (for example a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated Statement of Financial Position, the effect on profit or loss of their revaluation under AASB 121 is not fully eliminated.

For the purposes of AASB 7, currency risk does not arise from financial instruments that are non-monetary items. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other prise risk disclosures as part of fair value gains and losses.

**Fair Value Measurement**

(a) Net fair value

The carrying value and net fair values of financial assets and liabilities at balance date are:

| Consolidated | 2021<br>Carrying Amount<br>US$ | <br>Net fair Value<br>US$ |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | 1,101,272 | 1,101,272 |
| Financial assets at fair value through profit or loss | 1,917,097 | 1,917,097 |
| Trade and other receivables - current | 92,536 | 92,536 |
| | 3,110,905 | 3,110,905 |
| Financial Liabilities | | |
| Trade and other payables - current | 222,800 | 222,800 |
| Borrowings - current | 2,164,831 | 2,164,831 |
| Borrowings – non-current | 1,978,839 | 1,978,839 |
| | 4,366,470 | 4,366,470 |

| Consolidated | 2020<br>Carrying Amount<br>US$ | <br>Net fair Value<br>US$ |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | 418,118 | 418,118 |
| Trade and other receivables - current | 81,556 | 81,556 |
| | 499,674 | 499,674 |
| Financial Liabilities | | |
| Trade and other payables - current | 332,222 | 332,222 |
| Borrowings - current | 976,738 | 976,738 |
| Borrowings – non-current | 3,279,040 | 3,279,040 |
| | 4,588,000 | 4,588,000 |

(b) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

i) Quoted prices in active markets for identical assets or liabilities (level 1)
ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (level 2); and
iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2021.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **30 June 2021** | **US$** | **US$** | **US$** | **US$** |
| Convertible note in Innovaero | - | - | 775,650 | 775,650 |
| Investment in Innovaero | - | - | 1,141,397 | 1,141,397 |
| Total Financial assets at FVPL | - | - | 1,917,047 | 1,917,047 |

The fair value of the level 3 financial assets have been based on recent share raising prices during the financial rear. Refer to Note 5 (b) for additional details on financial assets. The directors consider this to reflect the investment and convertible note fair value at reporting date.

## NOTE 21: INCOME TAX EXPENSE

| | | 2021 US$ | 2020 US$ |
|---|---|---|---|
| **a.** | **The components of tax expense comprise:** | | |
| | Current tax | - | - |
| | Deferred tax | - | - |
| | | **-** | **-** |
| **b.** | **The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:** | | |
| | Prima facie tax benefit on loss from ordinary activities before income tax at 30% | 911,268 | 1,642,235 |
| | Add tax effect of: | | |
| | - Revenue losses not recognised | - | - |
| | - Other non-allowable items | (107,744) | (573,162) |
| | | 803,524 | 1,069,073 |
| | **Less tax effect of:** | | |
| | - Other deferred tax balances not recognised | (803,524) | (1,069,073) |
| | **Income tax** | **-** | **-** |
| **c.** | **Unrecognised deferred tax assets:** | | |
| | Carry forward revenue losses | 5,581,792 | 3,003,034 |
| | Carry forward capital losses | - | - |
| | **Net deferred tax assets** | **5,581,792** | **3,003,034** |

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the company derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;
(b) the company continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in income tax legislation which adversely affect utilising benefits.

## NOTE 22: REMUNERATION OF AUDITORS

| | 2021 | 2020 |
|---|---|---|
| **Assurance Services** | | |
| *Audit Services* | **US$** | **US$** |
| Amounts paid/payable to BDO Audit (WA) Pty Ltd for audit and review of the financial reports | 42,682 | 36,213 |
| *Non-Audit Services* | | |
| Amounts paid/payable to BDO for tax compliance and advice | 3,078 | 3,975 |

## NOTE 23: Parent Entity Note

| **Financial Position** | **2021** | **2020** |
|---|---|---|
| | **US$** | **US$** |
| **Current assets** | | |
| Cash and cash equivalents | 958,530 | 2,949 |
| Other receivables | 10,250 | 11,152 |
| **Total current assets** | **968,780** | **14,101** |
| **Non-current assets** | | |
| Investment in subsidiaries | - | - |
| Financial assets at fair value | 1,917,047 | |
| Loan to subsidiary | 529,912 | - |
| **Total non-current assets** | **2,446,959** | **-** |
| **Total assets** | **3,415,739** | **14,101** |
| **Current liabilities** | | |
| Trade and other payables | 196,252 | 239,493 |
| **Total current liabilities** | **196,252** | **239,493** |
| **Total liabilities** | **196,252** | **239,493** |
| **Net assets** | **3,291,487** | **(225,392)** |
| **Equity** | | |
| Share capital | 21,686,704 | 17,359,740 |
| Reserves | 724,630 | 421,608 |
| Accumulated losses | (19,191,847) | (18,006,740) |
| **Total equity** | **3,219,487** | **(225,392)** |

| **Financial Performance** | **2021** | **2020** |
|---|---|---|
| | **$** | **$** |
| Revenue from operations | 101 | 112 |
| Adjustment - provision for intercompany investment | (688,928) | 1,438,097 |
| Provision for intercompany loan | - | - |
| Expenses from operations | (498,280) | (572,236) |
| **Profit (Loss) before income tax** | **(1,185,107)** | **865,973** |
| Income tax expense | - | - |
| **Profit (Loss) for the year** | **(1,185,107)** | **865,973** |

## NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

The COVID-19 pandemic and the subsequent restrictions imposed by governments globally have caused disruption to many businesses and the associated economic activity. To date, the pandemic has not had a significant adverse effect on the Group's consolidated financial results.

The Group will continue to assess the impact of COVID-19 on existing projects and operations. The duration and spread of the pandemic and regulations imposed by governments continue to be closely monitored to determine any future impact on the Group.

CFOAM settled Tranche 2 of the Placement, being 140,000,000 shares at A$0.016 each to raise A$2,240,000 and the further A$975,000 investment in Innovaero by way of a convertible note on 15 July 2021 and on 12 August 2021 the Paycheck Protection Program (PPP) loan in the amount of US$333,800 was forgiven.
Other than this, there have been no other matters or circumstances, which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2021, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2021, of the Group.

## NOTE 25: COMPANY DETAILS

The registered office of the company is:
Level 1
33 Ord Street
West Perth Western Australia 6005

The principal place of business of the company is:
The Millennium Centre
1142 Middle Creek Road
Triadelphia, West Virginia 26059-1138
United States of America

## NOTE 26: LOSS PER SHARE

| Reconciliation of loss from continuing operations: | **2021 US$** | **2020 US$** |
|---|---|---|
| Loss from continuing operations | (3,037,562) | (4,517,939) |
| Loss used to calculate basic EPS from continuing operations | (3,037,562) | (4,517,939) |
| Weighted average number of ordinary shares outstanding during the year | 377,466,133 | 150,912,898 |

There are currently no dilutive securities on issue which effect the calculations and therefore the weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS are the same.

In accordance with a resolution of the directors of CFOAM Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 12 to 45, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated group; and

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Board acting in the capacity of the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Directors on 3 September 2021 and is signed on behalf of the Directors by:

G Steinepreis

Gary Steinepreis
Director
Perth
3 September 2021

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Subiaco, WA 6008
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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of CFOAM Limited

# Report on the Audit of the Financial Report

## Opinion

We have audited the financial report of CFOAM Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

## Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to Note 1(b) 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 opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting for Government Grant

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in Note 7, during the year ended 30 June 2021, the Group entered into a government grant arrangement ('arrangement') with the United States Department of Energy's Office of Fossil Energy.<br><br>Under the terms and conditions of the arrangement, the primary condition of funds received is to be utilised for budgeted direct and indirect costs including the purchase of qualifying property, plant and equipment in connection with Continuous Processing of Carbon Foam Products Made from Coal at Atmospheric Pressure (or CFOAM Project).<br><br>The accounting for the arrangement is a key audit matter as the recognition requires judgement and due to the financial significance of associated funds received during the year. | Our procedures included, but were not limited to:<br><br>• Reviewing the arrangement agreement to understand the key terms and conditions, and confirming our understanding of the arrangement with management;<br><br>• Evaluating management's assessment and accounting treatment of funds received;<br><br>• Vouching on a sample basis, the eligibility of associated costs and property, plant and equipment purchased to supporting invoices and terms of the arrangement; and<br><br>• Assessing the adequacy of the related disclosures in the financial report. |

## Other information

The directors are responsible for the other information. The other information comprises the information contained in Annual Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of CFOAM Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 3 September 2021