

ASX Release

25 October 2021

## September 2021 Quarterly Activities Report

### September quarter highlights:

- **Solid progress with proposed Titanium powder plant: select component testing completed, machines being constructed; premises lease agreement expected near-term**
- **Revenue guidance for powder plant lifted to ~A\$40.8 million per annum due to higher expected output**
- **Key projects with Fletcher Insulation and Rio Tinto have faced continued delays due to COVID-19 related supply chain issues and travel restrictions**
- **Revenues of \$111,000 for the quarter; Amaero continues to progress key commercial agreements to deliver increased revenues over the coming months**
- **Cash balance of \$8 million, reflecting continued investment in key projects and contracts to deliver future revenue growth**
- **Post quarter end, Heads of Agreement secured with Gilmour Space that will lead to a long-term supply agreement expected to deliver total revenues of ~\$1.7 million**

Amaero International Limited (“Amaero”), (the “Company”) (ASX:3DA), a leader in metal additive manufacturing is pleased to present the Company’s Appendix 4C and accompanying activities report for the period ending 30 September 2021.

Commenting on the quarter, Amaero International Limited CEO, Barrie Finnin said: *“Amaero continued to make good progress with our proposed titanium powder plant, with testing of some components already completed and machines currently under construction. Our revenue guidance for the plant was also lifted due to higher expected output. However, we experienced some continued setbacks to the key Fletcher Insulation and Rio Tinto projects during the September quarter due to the Melbourne lockdown, the German floods in July, and ongoing COVID-19 related supply chain issues and travel restrictions. For our Middle East 3D printing facility, we are planning to travel to the Gulf in the coming quarter for meetings to progress negotiations on the project agreement and view potential candidate sites for the Centre of Excellence. We continue to work hard on progressing a number of commercial agreements and advancing our key projects to deliver further revenue growth and look forward to updating investors over the coming months.”*

## OPERATIONAL

### **Progress with proposed Titanium powder plant**

Following the announcement in July that Amaero would build a customised and proprietary titanium alloy powder manufacturing in Victoria, Australia, further progress on the project was made during the September quarter.

The powder producing machines are currently under construction and Amaero has tested some of the components. The Company is also currently in negotiations to lease a facility and expects to secure an agreement in the near term.

Also, as announced to the market in August, Amaero now expects that revenue per annum, once the plant is fully operational, will be ~A\$40.8 million per annum. This compares to the expected ~A\$30 million in revenue capacity per annum originally announced (see ASX Announcement dated 5 July 2021).

The revised revenue guidance for the plant follows evaluation trials which have confirmed that yields of Amaero's metal powder products are better than the base case for the investment, and therefore, anticipated output from the facility will be higher than previously expected.

### **Delays with Fletcher Insulation and Rio Tinto projects**

There have been some delays on the Fletcher Insulation project and the production test results which were expected this quarter have been pushed back. The delays are due to the XLine 1000R machine being used to produce the 3D printed tools breaking down and the inability to obtain engineers from Germany to undertake the necessary maintenance due to international border closures. In addition, there has been a delay in the assembly of the SP400 machine in Melbourne required for future production. This is due to the inability to source semiconductors and the floods in Germany in July impeding the delivery of component parts.

The proposed Heads of Agreement with Fletcher has suffered delays due to a variety of causes including lockdowns, travel restrictions, and other COVID-19 related issues affecting agreement negotiations. While there have been delays due to these various issues, progress has been made in negotiations and the agreement is expected to be signed in the near term.

Amaero's collaboration agreement with Rio Tinto for "Amaero HOT Al" is progressing, although freight delays due to ongoing COVID-19 supply chain issues have caused project timing slippage. The first batch is being atomised into powder and testing will commence in the December quarter.

### **Proposed Middle East 3D printing centre**

Amaero is planning travel to the Gulf in the coming quarter for meetings to progress negotiations on the project agreement and view potential candidate sites for the proposed 3D printing Centre of Excellence.

### **Boeing Purchase Order**

Following the delivery of evaluation parts to Boeing in the June quarter, Amaero continues to progress its relationship with the world's largest aerospace company. There is a solid pipeline of potential projects and Amaero expects further purchase orders to be signed with Boeing over the months ahead.

### **Delays to Strategic Alloys joint venture and SP800 development**

The Strategic Alloys joint venture with PPK Limited (ASX:PPK) and Deakin University has been affected by materials being delayed due to lockdowns and supply chain issues. The SP800 machine development continues to progress but has been hampered by access to critical components

exacerbated by the July floods in Germany. Despite the delays. Amaero continues to receive a lot of interest from its aerospace customers for the machine.

### **Kinaltek project**

During the quarter, Amaero signed an agreement with metals process innovation company Kinaltek Pty Ltd, aimed at establishing a pilot demonstration facility for Kinaltek's proprietary technology for direct production of metal alloy powder (KinAlloys™). The project received an AMGC (Advanced Manufacturing Growth Centre) grant during the quarter. Amaero is a technical and commercial collaborator for the project.

## **CORPORATE**

### **Appointment of John McKellar as VP Strategic Operations**

In September, Amaero appointed technical operations expert John McKellar as Vice President, Strategic Operations. Mr McKellar brings more than 20 years' experience across a variety of technical operations and solutions and sales roles.

Prior to joining Amaero, he was Director of Global Sales Team/Business Development at Retech Systems LLC, a US-based global leader in the supply of vacuum metallurgical equipment for melting, refining, casting, and atomising reactive and refractory metals (such as titanium and titanium alloys), super alloys and rare earth metals. Mr McKellar also worked as a Business Development Manager and Sales Engineer at Retech prior to taking on the Director role.

At Amaero, Mr McKellar will initially lead the Company's proposed Titanium Powder Manufacturing plant in Victoria. He will then lead and co-ordinate the Middle East project, supported out of Melbourne and Los Angeles, given his extensive background in the Middle East region.

## **FINANCIAL**

Revenues for the September quarter were \$111,000, due to increased research and development work undertaken with key clients.

As detailed in the attached ASX Appendix 4C, the Company had \$8 million in cash and cash equivalents as at 30 September 2021, with the cash burn reflecting the company's continued investments in its key projects and commercial agreements to generate future revenue growth.

As advised in the June 2021 Quarterly Activities Report, all funds raised via the Company's IPO Prospectus have now been expended between the Company's admission to ASX and the previous quarter, with funds raised from the December 2020 placement and the January 2021 Share Purchase Plan providing cash flow for future growth and operational expenses.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$124,000 was paid in respect of Directors fees and consulting fees paid to entities associated with the Directors.

## **ACTIVITIES SUBSEQUENT TO THE QUARTER**

In October, Amaero secured a Heads of Agreement (HoA) with Gilmour Space Technologies (Gilmour Space) that will lead to a long-term supply agreement for the manufacture of rocket components.

The resulting supply agreement will be for a three-year term and is expected to deliver total revenues to Amaero of ~\$1.7 million.

Gilmour Space is a venture-backed Australian rocket company which is pioneering innovative hybrid propulsion technologies that will offer lower cost access to space. The HoA follows the supply of a series of prototype rocket motor components to Gilmour Space that were manufactured by Amaero under small purchase orders over the past 12 months.

Production of the components for the supply agreement will commence in FY2022.

This ASX release is approved by the Board of Amaero International Limited.

For further information, please contact:

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About Amaero International Limited:

Amaero International Limited is an Australian based company that manufactures large format complex components in metal with laser-based additive manufacturing processes, commonly known as 3D printing.

The principal activity of Amaero is the provision of end-to-end additive manufacturing solutions in terms of materials, services, equipment, and technology to its key clients in the Aviation Defence and Space sectors and the Tool and Die industry.

Amaero has worked with many of the world's leading manufacturers of aerospace and defence products in both an R&D and manufacturing capability and has a demonstrated ability to deliver aviation and military specification 3D printed alloy critical operation components.

Amaero was established with the support of Monash University in 2013 to take advantage of commercial opportunities identified by the Monash Centre for Additive Manufacturing (MCAM). Amaero is co-located with MCAM in Melbourne Australia. It operates two additional facilities, in Adelaide, South Australia, and Los Angeles, California, USA.

For further information, please visit: <https://www.amaero.com.au/>

## Appendix 4C

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

**Name of entity**

Amaero International Limited

**ABN**

82 633 541 634

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

30 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	111	111
1.2 Payments for		
(a) research and development	(684)	(684)
(b) product manufacturing and operating costs	(592)	(592)
(c) advertising and marketing	(67)	(67)
(d) leased assets	-	-
(e) staff costs	(482)	(482)
(f) administration and corporate costs	(870)	(870)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	5	5
1.8 Other (provide details if material)	29	29
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,550)</b>	<b>(2,550)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,001)	(1,001)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1,001)</b>	<b>(1,001)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	11,467	11,467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,550)	(2,550)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,001)	(1,001)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	43	43
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,959</b>	<b>7,959</b>

<b>5. Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	7,959	11,467
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,959</b>	<b>11,467</b>

<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	124
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,550)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,959
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,959
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

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

Date: ..... 25 October 2021 .....

Authorised by: .....Board of Directors.....  
(Name of body or officer authorising release – see note 4)

## Notes

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