

ASX Release

28 July 2023

## June 2023 Quarterly Activities Report

### June quarter highlights:

- **Cash balance of \$8.8 million as of 30 June 2023.**
- **Post quarter end, Amaero green lighted its flagship titanium project in the United States:**
  - **Financial, operational and strategic advantages led Amaero to select Tennessee over the UAE**
  - **“Nearing Completion” industrial facility in the U.S. will accelerate installation of titanium powder manufacturing plant, accelerate breakeven operations by 12 months and reduce working capital need by \$22 million**
  - **Amaero will pursue US government funding and incentives that target re-shoring advanced manufacturing and critical materials supply chain**
  - **Amaero continues to have strong relationships in the UAE and will pursue “offset credit” funding for other strategic projects**

Amaero International Limited (“Amaero”), (the “Company”) (ASX:3DA) presents its Appendix 4C and accompanying activities report for the period ending 30 June 2023.

**Amaero Chairman and Chief Executive Officer, Hank J. Holland said:** *“Amaero focused its efforts on its flagship titanium project during the quarter which resulted in our Company green lighting the flagship project in the U.S. state of Tennessee in July. This was a seminal event for Amaero and a cornerstone development for Amaero’s shareholders, our employees and our customers. With this development, we expect the cadence of material announcements and tangible milestones to accelerate.*

*Amaero is appreciative of the many stakeholders in Tennessee who quickly mobilised resources and proactively developed a compelling business case and competitive value proposition for the re-location of our flagship titanium powder manufacturing, research & development and corporate headquarters. Amaero will build upon the United States’ resurgent manufacturing sector and the strong regional manufacturing ecosystem with strategic industrial capabilities that align with the country’s highest priority initiatives in advanced materials, critical minerals and manufacturing.*

*After 9 months of all consuming efforts in the UAE, after advancing the build-to-suit planning at KEZAD and after recent receipt of the Term Sheet from Emirates Development Bank, it was difficult to consider last minute advances for alternative locations in Tennessee or other States in the Southeast U.S. At the same time, circumstances were fluid and we had a fiduciary duty to decisively pursue opportunities that are in our shareholders’ best interest. We appreciate the efforts and support of so many stakeholders in the UAE and remain interested in pursuing other strategic opportunities.”*

## **CORPORATE**

On 20 April, Amaero Chairman and CEO Hank Holland received Foreign Investment Review Board (FIRB) approval to acquire up to an additional 11% of shares in Amaero personally and/or via the Hank J. Holland Revocable Trust.

Due to the Corporations Act and the Takeover Panel regulations, neither Pegasus Growth Capital nor Hank J. Holland were eligible to acquire additional shares until 31 May 2023.

On 15 May, Mr Holland notified the (FIRB) that he acquired 8,373,134 quoted options (3DAO) in a negotiated Off-Market Trade.

The options purchase was not subject to the Corporations Act and the Takeover Panel regulations that prohibited Pegasus Growth Capital and Hank Holland acquiring additional shares until 31 May 2023.

Mr Holland has not acquired any additional shares in Amaero since 31 May 2023.

## **FINANCIAL**

As detailed in the attached ASX Appendix 4C, the Company had \$8.8 million in cash and cash equivalents as at 30 June 2023.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$282,000 was paid in respect of Directors fees and consulting fees paid to entities associated with the Directors.

## **ACTIVITIES SUBSEQUENT TO THE END OF THE QUARTER**

On July 14, Amaero announced the green lighting of its flagship titanium project in the United States with financial, operational and strategic advantages leading Amaero to select Tennessee over the United Arab Emirates.

The State of Tennessee acted decisively to coordinate and to commit economic incentives from multiple stakeholders to attract the re-location of the flagship facility, as well as Amaero's research & development and corporate headquarters.

Amaero has received commitments for economic incentives from the Tennessee Department of Economic and Community Development, the Cleveland-Bradley Chamber of Commerce, the Tennessee Valley Authority and the Oak Ridge National Laboratory.

The Company has received a long-term commitment from the Tennessee Valley Authority ("TVA") for investment credit and a long-term electricity rate subsidy. The TVA's proposed investment credit includes a 10-year commitment for electricity rates that will be lower than the subsidised rates in the UAE and 85% less than the prevailing rates in Victoria. Further, TVA has established strong infrastructure, including a dedicated substation for Spring Branch Industrial Park.

The "nearing completion" facility with a prepared pad for the high-bay extension will enable Amaero to install the titanium powder production plant sooner than the proposed "build-to-suit" project in the UAE. As a direct result, Amaero expects to accelerate breakeven operations by 12 months and to reduce working capital need by \$22 million. In November 2022, the Company estimated that required working capital for the first 3 years (2023-2025) would equal \$78 million. The "nearing completion" facility in Tennessee will reduce the required working capital for the same 3-year period to \$56 million and Amaero expects to be cash flow positive in 2026. We expect that required funding for capital

expenses (facility, tenant improvements and equipment) to be unchanged from the previously proposed project at KEZAD.

Amaero will pursue US government funding and incentives that target re-shoring advanced manufacturing and the critical materials supply chain following the U.S. has passing cornerstone legislation on these initiatives over the past year.

The Company continues to have strong relationships in the UAE and will pursue “offset credit” funding for other strategic projects.

For further information, see the ASX Announcement dated 14 July 2023.

*This announcement is authorised for ASX release by the board of directors of Amaero International Limited.*

**For further information, please contact:**

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**About Amaero International Limited:**

Amaero International Limited is an ASX-listed company focused on becoming a global leader in titanium and speciality powder production and advanced manufacturing applications that utilize titanium and speciality alloy powder for aerospace & defence, medical and other industries.

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 June 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	185	870
1.2 Payments for		
(a) research and development	(72)	(900)
(b) product manufacturing and operating costs	(217)	(1,120)
(c) advertising and marketing	(18)	(111)
(d) leased assets	(136)	(645)
(e) staff costs	(1,384)	(4,715)
(f) administration and corporate costs	(332)	(2,597)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	6
1.5 Interest and other costs of finance paid	-	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,320	1,393
1.8 Other (Restructuring Costs, Project Falcon and Net GST)	(206)	(2,102)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(855)</b>	<b>(9,934)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(g) entities	-	(10)
(h) Businesses	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
	(i) property, plant and equipment	(131)	(1,867)
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(m) entities	-	-
	(n) businesses	-	-
	(o) property, plant and equipment	-	-
	(p) investments	-	-
	(q) intellectual property	-	-
	(r) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(131)</b>	<b>(1,877)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,500
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	-	(1,345)
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</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>9,155</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 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	9,785	11,118
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(855)	(9,934)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(131)	(1,877)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	9,155
4.5	Effect of movement in exchange rates on cash held	35	372
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,834</b>	<b>8,834</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,834	9,785
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,834</b>	<b>9,785</b>

<b>6.</b>	<b>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	282
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>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(855)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,834
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,834
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	10.34
<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

*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.*

### 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: ..... 28 July 2023.....

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.