ASX Announcement | 31 October 2023

Amaero International Limited (ASX:3DA)

2023 Chairman and CEO Address

Annual General Meeting

Address by Chairman and CEO, Mr Hank J Holland

The past 100+ days have seen Amaero turn the page on "**what was**" … and have seen Amaero complete its re-structuring and embrace a promising new chapter.

With a "can do," pro business and pro economic growth attitude, stakeholders in Tennessee quickly mobilized support and proposed a package that included a "nearing completion" 9,300 square meter manufacturing facility, economic incentives, long-term subsidized electricity rates and a collaboration with the U.S.' premier national defense laboratory.

One year ago on the 1st of November 2022, Amaero lodged an ASX announcement that Pegasus Growth Capital would sub-underwrite a $10.5 Entitlement Offer and that I would assume the role of Chairman and Chief Executive Officer. We embarked on an intensive period of corporate re-structuring, we explored numerous opportunities, we re-set the strategic direction… and, in July, we announced that we would re-locate Amaero's manufacturing, applied research & development and corporate headquarters to Tennessee.

Over the past year, Amaero's stock price has risen by approximately 180%. During the same period the ASX 200 is flat and the ASX Small Ordinary index has lost about 7%.

After decades of celebrated globalization and the migration abroad of most manufacturing capabilities, the COVID epidemic followed by the conflict in Ukraine exposed the resulting vulnerability to national security and to economic resiliency. With bi party support, the U.S. has shaped a national policy response with the strategic imperative of re-shoring critical and strategic manufacturing and defence production capabilities, as well as securing resilient and scalable supply chains. Given the rise in geopolitical tensions, there is a heightened sense of urgency to invest in defence capabilities and to re-establish a dominant leadership in primacy capabilities, such as hypersonics.

Amaero was very fortunate to identify a modern, purpose built manufacturing facility that was "nearing completion." The 9,300 square meter facility has been completed and construction of fit out will begin this quarter. Securing a new facility and negating the need to build a facility saved 12+ months on our timeline to commission equipment and to commence powder production. And, we have estimated that working capital is reduced by approximately $22 million.

The first atomiser has been delivered to the U.S. and is in storage awaiting installation. As announced, we expect installation to commence in the 2nd quarter CY2024 and that powder production will commence in the 4th quarter CY2024.

Tennessee has proven to be business-friendly and they welcomed our sense of urgency. I would like to personally thank Governor Bill Lee, Stuart McWhorter, the Governor's Commissioner of Economic Development, United States Senator Bill Hagerty and US Congressman Chuck Fleischman. Their advocacy and support have positioned Tennessee at the center of the manufacturing renaissance in the U.S.

I would also like acknowledge the Tennessee Valley Authority. The TVA and local utilities have invested heavily in electricity infrastructure to meet the demands of industry today and into the future. By way of example, 140 megawatts of capacity have been installed at a dedicated substation for the Spring Branch Industrial Park where Amaero's facility is located. Moreover, we have signed a 10-year contract with subsidized electricity rates of approximately $0.055 per kilowatt hour.

Finally, we are excited about the opportunity to collaborate with Oak Ridge National Laboratory, the premier national defence laboratory.

I would argue that the most significant accomplishment over the past 12 months culminated in July and August with the hiring of Eric Bono, Chris Scanlon, Jay Chandran, Fred Yolton and David Schmidt. We have amongst the strongest and most experienced team in the industry with deep experience in powder metallurgy and additive manufacturing. Ken Davis will be instrumental in working with Eric and the team to liason with our customers and to position Amaero as a valued partner and supplier of choice.

Not since Sputnik in 1957, has the United States ceded a primacy capability to another superpower. Though the U.S. first developed hypersonics, China and Russia surpassed the capabilities and commercialized hypersonic missile technology. The U.S. is racing to commercialize hypersonic platforms such as the hypersonic scramjet missile. At mach-20 and with advanced propulsion systems, the hypersonic applications demand advanced materials such as C-103 and refractory alloys. Further, the component's complex geometry and integrated cooling channels are well-suited (in some cases uniquely suited) for 3D printing.

To the extent that you listen to an earnings call of a defence prime contractor such as Lochkeed Martin, Northrop Grumman or RTX, you will invariably hear executives touting their hypersonic developments and the promise of large contracts for next generation weaponry programs. At the same time, leadership at Department of Defense and the Air Force will highlight the woeful vulnerability in the supply chain for critical advanced materials such as C-103. See quote from a supply chain study that was commissioned in May 2023 by the U.S. Air & Space Force.

Following our discussions with the leading defence research labs and indications of demand from prime defence contractors and 1st tier suppliers, Amaero announced that we would dedicate the production of the 1st atomiser to C-103. As the demand for C-103 ramps, we will utilize excess production capacity to produce high-value specialty alloy powders that will be utilized in the next generation defence systems.

Amaero is uniquely positioned to be the supplier of choice for C-103 and high-value specialty alloy powders. First, given the high melting temperature (as an example Ti64 has a melting temperature of 1,600 degrees celcius… whereas C-103 has a melting temperature that's 50% higher at 2,350 degrees celcius), many of the atomization systems can't operate at the higher temperature. Second, many of the larger powder producers have long production cycles and are not well suited for smaller batch production runs. Lastly, atomization and powder production is the core of Amaero… this is the essence of who we are and what we do. For many of the material companies who produce powder, it may be 5% or less of their revenue… it's not core to their business.

The U.S. Department of Defense has identified castings and forgings supply chain as one of the four most pressing threats to national security. The critical shortage of forging capacity in the U.S. and allied countries has resulted in untenably long lead times for parts resulting in a large percentage of military assets that are out of service. As an example, its estimated that more than 10% of F-35s are grounded awaiting service and refurbishment.

Before I turn to Eric Bono… we gathered the technical team in Tennessee about a month ago to finalize the engineering and the design of fit out for the facility. We have a brief video to introduce other members of the Amaero team and to show you the facility that will be home to the manufacturing, applied research & development and corporate headquarters for Amaero. With that, it's my pleasure to introduce Amaero's President and Chief Technical Officer, Eric Bono.

Mr Eric Bono, President and Chief Technical Officer to present.

Thank you, Eric.

2024 will be a hallmark year for Amaero. We will fanatically focus on execution and on delivering the important milestones. I'm confident that over the next year, the broader market will come to better understand and to better value Amaero's differentiated capabilities and the large market opportunity.

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About Amaero International Limited (ASX:3DA)

Amaero International Limited is an ASX-listed company focused on titanium, refractory and speciality alloy powder production, as well as advanced manufacturing applications that utilise alloy powder for aerospace & defence, space, medical and other industries.

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This ASX announcement has been authorised by the Board of Amaero International Limited (ASX:3DA)