

December 2023 Quarterly Activities Report

Amaero International Limited (ASX:3DA) (“Amaero” or “the Company”) is pleased to provide an overview of its operations to accompany the Appendix 4C for the period ending 31 December 2023 (“Quarter”, “Reporting Period”).

December Quarter Highlights:

- **A\$10 million raised from new and existing institutional and sophisticated investors with capital to be used for the Tennessee facility fit out and purchase of capital equipment.**
- **Relocated operations and corporate HQ from Australia to the Tennessee facility in the U.S.**
- **Significant additions to executive leadership team with Steve Kachur appointed as Chief Commercial Officer, Dr. Ronald Aman as Director of Manufacturing and the promotion of Jay Chandran to Chief Operating Officer.**
- **Executed a binding purchase order for its 2nd atomiser, the next generation Electrode Induction Melting Inert Gas Atomiser (EIGA Premium).**
- **Secured a corporate credit facility from Western Alliance Bank (NYSE:WAL) with funds to be used to supplement cash liquidity for funding working capital and capital expenditures.**
- **Subsequent to the Quarter, Amaero engaged Guggenheim Securities to Explore Strategic Financing Alternatives, with the objective of maximizing shareholder value while positioning Amaero to be the largest and preferred supplier in the United States of C-103, specialty alloy and Ti-64 powder for additive manufacturing.**

Hank Holland, Amaero’s Chairman and CEO, commented

“The December quarter was a key period for Amaero as we shifted strategic direction to focus on the U.S. market. Importantly, Amaero relocated operations and corporate offices from Australia to the United States, with A\$10m raised through a strongly supported placement with capital to be applied towards the establishment of the Tennessee facility. To assist with further financing, Amaero also secured a corporate credit facility from Western Alliance Bank (NYSE:WAL).”

“Attracting an industry-leading executive team has been a top priority. With the hiring of Steve Kachur and Dr. Ronald Aman and with the promotion of Jay Chandran, we now have the key operational, manufacturing, technical and financial leadership in place to execute on our aspiration strategy.

“With a purchase order executed for a second atomiser, the next generation Electrode Induction Melting Inert Gas Atomiser (EIGA Premium), Amaero will commission the 1st and 2nd next-generation atomisers in the United States and only the 2nd and 3rd to be commissioned in the world, further positioning Amaero as a world leader in the industry.”

“Although occurring after the Reporting Period, in January 2024 Amaero engaged Guggenheim Securities to Explore Strategic Financing Alternatives, with the objective of maximizing shareholder value while positioning Amaero to be the largest and preferred supplier in the United States of C-103, specialty alloy and Ti-64 powder for additive manufacturing.”

“We look forward to an exciting 2024 calendar year. We will continue to advance Amaero as the leading domestic, agile and scalable manufacturer of high-value metal powder for additive manufacturing applications. We expect that important milestones will include, 1) completing fit out of facility and commissioning of atomiser equipment, 2) commencing powder production, 3) executing offtake agreements with expedited path to qualification and feedstock supply agreements and 4) securing strategic financing that fully funds budgeted capital investment.”

Relocation to Tennessee Facility in the U.S

During the Quarter, Amaero announced that the Board had resolved to commence the cessation of its operations in Australia. The decision reflects the Company's commitment to focus its executive team on flagship operations in the U.S. and to prudently manage operating expenses. As part of the cessation of Australian operations, the Company terminated its leases at its South Australian and Victorian premises and any ongoing commercial contracts in Australia will be ended. In November 2023, the Company announced that the powder and equipment at Amaero's Adelaide facility was sold for \$460,000, and additional inventory held in Australia may be shipped to the Tennessee facility or will be sold.

Amaero will continue to evaluate commercial opportunities in Australia that include adjacency opportunities in mining critical minerals, as well as advanced manufacturing for the aerospace & defence, space and energy sectors.

The Company's Principal Place of Business address changed from the Victorian premises to the Tennessee facility in the U.S. at the following address:

130 Innovation Drive McDonald, Tennessee, 37353.

Purchase of Second Atomiser

During the Quarter, Amaero executed a binding purchase order for its second atomiser, the next generation Electrode Induction Melting Inert Gas Atomiser (EIGA Premium).

The next generation atomiser is expected to produce industry-leading yields of the highest value powder that's utilised for additive manufacturing / 3D printing components for the defence, space and aerospace industries. Moreover, the atomiser is capable of producing the highest quality, spherical powder for C-103, refractory alloys and other specialty alloys with high melting points. The atomiser projects annual capacity of 200+ tonnes of powder with yields exceeding 50% for Powder Bed Fusion (PBF) spectrum powder. The atomiser has a build time of approximately 14 months and the Company expects powder production to commence in the December 2025 quarter. An initial payment will be made during the March 2024 quarter with subsequent progress payments through final commissioning.

Upon successful installation, the Company's next generation atomisers will be the 1st and 2nd to be commissioned in the United States and only the 2nd and 3rd to be commissioned in the world. The first atomisers will have annual capacity of 400+ tonnes of spherical powder and 200+ tonnes of PBF spectrum powder. Amaero will prioritize the production of C-103, refractory alloy and other high-value, specialty alloy powders that are essential to the supply chain for the additive manufacturing of mission-critical components for the defence, space, aerospace and nuclear energy sectors.

Corporate

A\$10 million Placement

In the Reporting Period, Amaero announced that it raised A\$10 million through a two-tranche placement ("Placement") priced at A\$0.1600 for 1 fully paid ordinary share in the capital of the Company ("Share") with 1 free attaching option for every 1 Share issued.

The Placement took place in two tranches:

Under Tranche 1, 21,110,580 Shares were issued under the Company's 15% placement capacity under ASX Listing Rule 7.1 raising a total sum of A\$3,377,692.80.

Under Tranche 2, subject to shareholder approval which was received December 2023 (in accordance with ASX Listing Rules 7.1 and 10.11), investors subscribed for an additional 41,389,420 Shares raising a total of an additional sum of A\$6,622,307.20.

Subject to shareholder approval which was received in December 2023, free attaching unlisted options exercisable at A\$0.2400 per Share and expiring on the date that is 3 years from the issue of those options, were issued under Tranche 1 and Tranche 2 of the Placement ("Options").

A total of 62,500,000 Shares and 62,500,000 Options were issued pursuant to the Placement.

The lead investor under the Placement was Pegasus Growth Capital, an approximate 39% shareholder of the Company and an entity associated with two directors of the Company (being Hank Holland and Bob Latta) with an investment of A\$4 million.

A\$7.5 million Secured in Corporate Financing

During the Quarter, Amaero announced that the Company secured a corporate credit facility from Western Alliance Bank (NYSE: WAL). As Amaero expects to maintain prudent cash balances, the credit facility may be used to supplement cash liquidity for funding working capital and capital expenditures.

The key terms of the corporate credit facility are as follows:

- Credit Facility: US\$5,000,000.00 (approximately equivalent to A\$7,500,000.00).
- Borrowing Formula: Amaero may advance up to the Credit Facility Amount subject to 110% of amount advanced being held in cash deposit at Western Alliance Bank.
- Repayment: Interest-only payable monthly through Maturity.
- Maturity: 24 months.
- Interest Rate: Wall Street Journal ("WSJ") Prime Rate + 0.0%, floating.
- Collateral: Cash deposits.
- Banking Relationship: The Company will utilise Western Alliance Bank as its primary banking relationship for USD deposits and business banking services. Amaero will receive a deposit rate of 5.0% in an Insured Cash Sweep account; the deposit rate is subject to change.

Longer-term, the Company expects to obtain term loan financing that's secured by capital equipment.

Executive Hires

During the Quarter, Amaero continued to build an industry-leading executive team. Steve Kachur was appointed as Chief Commercial Officer, bringing a wealth of experience and knowledge in both business development and procurement. He will be instrumental as Amaero further develops its commercial and go to market strategy whilst simultaneously helping to structure the procurement department. He will collaborate internally and externally to help position Amaero as the leader in refractory and high-value specialty alloy powders, as well as the manufacturing of large as-HIP near-net shapes.

Jay Chandran was promoted to Chief Operating Officer and will continue to oversee operations at Amaero. Mr Chandran has been instrumental in advancing the design and fit out of Amaero's 9,300m² flagship manufacturing facility in McDonald, Tennessee. Prior to joining Amaero, he served in key roles at leading industrial companies, Consolidated Precision Products and Precision Castparts, where he led highly complex castings operations, as well as pre-development, development, and commissioning of greenfield manufacturing operations.

Dr. Ronald Aman was appointed as Director of Manufacturing, an established leader with breadth of experience and knowledge in powder metallurgy and additive manufacturing. His technical background, coupled with his manufacturing experience will further establish Amaero as a leader in large hot isostatically pressed (HIP) manufactured components. In addition to leading the HIP manufacturing business, Dr. Aman will be a primary resource and point of contact for contracts with the United States government, Department of Defense, Department of Energy and related parties. He will lead applied research & development collaborations with government and industrial partners and he will assist with material and AM component qualifications.

Engaged Guggenheim Securities to Explore Strategic Financing Alternatives

Subsequent to the Reporting Period, Amaero announced that the Company retained Guggenheim Securities, LLC, a leading financial advisory and capital markets firm in the U.S., to explore strategic financing alternatives to fund capital investment relating to the completion of fit out and acquisition of capital equipment for its manufacturing and corporate facility in McDonald, Tennessee.

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Following the Company's receipt of inbound interest, the Board will explore and evaluate strategic financing alternatives with the objective of maximizing shareholder value while positioning Amaero to be the largest and preferred supplier in the United States of C-103, specialty alloy and Ti-64 powder for additive manufacturing. Over the past 18 months, the Company has made significant progress in completing its restructuring, relocating the business to the U.S., appointing an industry-leading management team and dedicating its powder production capacity to high-value specialty alloy powders, including C-103. To ensure that the Board completes a diligent and comprehensive review of financing alternatives, Guggenheim will coordinate a process and will advise the Board in evaluating its alternatives.

For further information, please contact:

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About Amaero International Limited (ASX:3DA)

Amaero International Limited is an ASX-listed company focused on high-value refractory, specialty alloy and Ti-64 powder production for additive manufacturing of mission-critical components for the defence, space and aviation industries.

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

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

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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	639	761
1.2 Payments for		
(a) research and development	(113)	(242)
(b) product manufacturing and operating costs	(70)	(215)
(c) advertising and marketing	(183)	(466)
(d) leased assets	(212)	(644)
(e) staff costs	(1,717)	(3,160)
(f) administration and corporate costs	(1,429)	(2,258)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	33
1.8 Other (Restructuring Costs, Project Falcon and Net GST)	69	(47)
1.9 Net cash from / (used in) operating activities	(3,010)	(6,220)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(11)	(11)
0) (d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(11)	(11)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,000	10,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	(191)	(191)
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 (Lease Deposit)	-	(371)
3.10	Net cash from / (used in) financing activities	9,809	9,438

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,386	8,833
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,010)	(6,220)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(11)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,809	9,438
4.5	Effect of movement in exchange rates on cash held	(472)	(338)
4.6	Cash and cash equivalents at end of period	11,702	11,702

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	11,702	5,386
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,702	5,386

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	432
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>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	7,310	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		7,310
7.6	<p>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.</p> <p>Credit Facility: US\$5,000,000.00 with Western Alliance Bank</p> <ul style="list-style-type: none"> • Borrowing Formula: Amaero may advance up to the Credit Facility Amount subject to 110% of amount advanced being held in cash deposit at Western Alliance Bank. • Repayment: Interest-only payable monthly through Maturity. • Maturity: 24 months • Interest Rate: Wall Street Journal ("WSJ") Prime Rate + 0.0%, floating. • Collateral: Cash deposits • Banking Relationship: The Company will utilise Western Alliance Bank as its primary banking relationship for USD deposits and business banking services. Amaero will receive a deposit rate of 5.0% in an Insured Cash Sweep account; the deposit rate is subject to change. <p>No additional finance facilities have been entered in to.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,010)
8.2	Cash and cash equivalents at quarter end (item 4.6)	11,702
8.3	Unused finance facilities available at quarter end (item 7.5)	7,310
8.4	Total available funding (item 8.2 + item 8.3)	19,012
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.32
	<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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: N/A</p>	

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: 30 January 2024.....

Authorised by:The 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.