

Metal Powder Works Inc.

Interim Report - 30 June 2024

Metal Powder Works Inc.
Directors' report
30 June 2024

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Metal Powder Works Inc. (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

Directors

The following persons were directors of Metal Powder Works Inc. during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

John Barnes
Chris Aldridge
Leo Christodoulou
Kapil Talwar
Bruno Campisi
Rob Gorham

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Machine and process development
 - System industrialization, closed loop control system
 - Simplified user interface development
 - Yield, productivity and tool design improvements
- Material portfolio expansion
- Business development, customer and partner engagements

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$666,097 (30 June 2023: \$737,349).

The company signed an agreement that continued funding to develop, among other process improvements, tooling for industrial scale CP Ti powder production, and employed an engineer to work primarily on improved tooling for hard metals

The company listed powders (pure Cu, 7075, 6061, Al-Sc) for sale on the Qualloy website.

Significant changes in the state of affairs

Convertible note issue

On 22 November 2024, the Company entered into a convertible note arrangement to raise A\$1,050,000 with multiple parties.

Key terms and conditions:

- Maturity dates is 24 months from the date the Convertible Note Agreement signed by the parties which is the redemption event;
- Each notes will be convertible into Common Stock at a conversion price equal to 20% discount from the valuation utilised in the next financing; and
- Interest is 4% per annum, and payable is arrears on redemption. If automatically converted no interest applies.

Due diligence

Subsequent to the financial half-year, the consolidated entity entered into a binding agreement, pursuant to an acquisition of the consolidated entity, to grant a 12-week exclusivity period for the conduct of due diligence by the potential acquirer.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out immediately after this directors' report.

Metal Powder Works Inc.
Directors' report
30 June 2024

This report is made in accordance with a resolution of directors.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Kapil Talwar', with a stylized flourish at the end.

Kapil Talwar
Non-Executive Director

6 December 2024

Grant Thornton Audit Pty Ltd

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Auditor's Independence Declaration

To the Directors of Metal Powder Works Inc.

In accordance with the requirements of APES 110 Code of Ethics for Professional Accountants (the Code), as lead auditor for the review of Metal Powder Works Inc. for the half-year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 6 December 2024

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Metal Powder Works Inc.
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General information

The financial statements cover Metal Powder Works Inc. as a consolidated entity consisting of Metal Powder Works Inc. and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in United States dollars, which is Metal Powder Works Inc.'s functional and presentation currency.

Metal Powder Works Inc. is a private company, incorporated and domiciled in Delaware United States of America. Its registered office and principal place of business is:

1300 Clinton Rd, Clinton, PA 15026, United States of America

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 6 December 2024.

Metal Powder Works Inc.
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2024

		Consolidated	
		6 months ended 30 June 2024	6 months ended 30 June 2023
	Note	\$	\$
Revenue	2	397,766	22,480
Other income		517	4,059
Expenses			
Raw materials and consumables used		(284,722)	(78,284)
Employee benefits expense		(323,002)	(290,094)
Depreciation and amortisation expense		(94,618)	(95,520)
Legal & Professional Services		(45,667)	(40,815)
Contractors		(190,721)	(149,946)
Insurance expense		(13,952)	(15,495)
Research & Development		(28,750)	(19,435)
Other expenses		(38,122)	(40,526)
Finance costs		(15,709)	(17,531)
Marketing		(7,509)	(7,551)
Occupancy		(21,608)	(8,691)
Loss before income tax expense		(666,097)	(737,349)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Metal Powder Works Inc.		(666,097)	(737,349)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Metal Powder Works Inc.		<u>(666,097)</u>	<u>(737,349)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Metal Powder Works Inc.
Statement of financial position
As at 30 June 2024

		Consolidated	31 December
	Note	30 June 2024	2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		125,794	177,098
Trade and other receivables		95,413	101,030
Total current assets		<u>221,207</u>	<u>278,128</u>
Non-current assets			
Trade and other receivables		-	6,705
Property, plant and equipment		339,644	393,702
Right-of-use assets		334,720	386,216
Intangibles		272,558	286,186
Total non-current assets		<u>946,922</u>	<u>1,072,809</u>
Total assets		<u>1,168,129</u>	<u>1,350,937</u>
Liabilities			
Current liabilities			
Trade and other payables		170,438	309,308
Contract liabilities	4	386,390	-
Borrowings	5	382,005	100,000
Lease liabilities		99,693	94,844
Total current liabilities		<u>1,038,526</u>	<u>504,152</u>
Non-current liabilities			
Lease liabilities		263,017	314,102
Convertible note	6	323,109	323,109
Total non-current liabilities		<u>586,126</u>	<u>637,211</u>
Total liabilities		<u>1,624,652</u>	<u>1,141,363</u>
Net (liabilities)/assets		<u>(456,523)</u>	<u>209,574</u>
Equity			
Issued capital		2,790,111	2,790,111
Accumulated losses		<u>(3,246,634)</u>	<u>(2,580,537)</u>
Total (deficiency)/equity		<u>(456,523)</u>	<u>209,574</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Metal Powder Works Inc.
Statement of changes in equity
For the half-year ended 30 June 2024

Consolidated	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2023	2,790,111	(1,688,625)	1,101,486
Loss after income tax expense for the half-year	-	(737,349)	(737,349)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(737,349)	(737,349)
Balance at 30 June 2023	<u>2,790,111</u>	<u>(2,425,974)</u>	<u>364,137</u>

Consolidated	Issued capital \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 January 2024	2,790,111	(2,580,537)	209,574
Loss after income tax expense for the half-year	-	(666,097)	(666,097)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(666,097)	(666,097)
Balance at 30 June 2024	<u>2,790,111</u>	<u>(3,246,634)</u>	<u>(456,523)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Metal Powder Works Inc.
Statement of cash flows
For the half-year ended 30 June 2024

	Consolidated	
	6 months ended 30 June 2024	6 months ended 30 June 2023
	\$	\$
Cash flows from operating activities		
Receipts from customers	790,290	43,418
Payments to suppliers and employees	(944,869)	(754,915)
Net cash used in operating activities	(154,579)	(711,497)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,680)	(4,198)
Payments for security deposits	(197,385)	-
Proceeds from disposal of property, plant and equipment	22,335	-
Proceeds from release of security deposits	-	26,093
Net cash (used in)/from investing activities	(178,730)	21,895
Cash flows from financing activities		
Proceeds from borrowings	282,005	323,109
Net cash from financing activities	282,005	323,109
Net decrease in cash and cash equivalents	(51,304)	(366,493)
Cash and cash equivalents at the beginning of the financial half-year	177,098	460,405
Cash and cash equivalents at the end of the financial half-year	125,794	93,912

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2024 have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting', as appropriate for for-profit oriented entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2023.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IAS') 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.

Going concern

The consolidated financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half year ended 30 June 2024, the Group incurred a loss after income tax expense of \$666,097 and as at that date, reported current liabilities in excess of its current assets of \$817,319 which includes a non-cash contract liability of \$386,390.

The ability of the Company to continue as going concerns and to pay their debts as and when they fall due is dependent on the following:

- the ability to raise additional funding, including A\$1,050,000 under a convertible note per subsequent event disclosure within note 8;
- achieving revenue targets in line with management's forecasts;
- managing all costs in line with management's forecasts;
- continued support of the Company's major shareholders and funders; and
- The completion of an anticipated IPO.

The Directors believe that the group can raise capital as required based on the success of previous capital raises and the continued support from the Company's major shareholders. The Directors have a reasonable expectation that the Company has this support and have therefore determined that the Company will continue in operational existence for the foreseeable future. The company's 12 month outlook remains strong on the back of new income streams, a healthy pipeline and expected price growth in addition to a thorough review of our cost base being undertaken.

The financial report has therefore been prepared on the going concern basis. Should the Company be unable to achieve successful outcomes in relation to each of the matters referred to above, there is material uncertainty as to whether the Company will be able to continue as a going concern and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Metal Powder Works Inc.
Notes to the financial statements
30 June 2024

Note 2. Revenue

	Consolidated	
	6 months	6 months
	ended 30	ended 30
	June 2024	June 2023
	\$	\$
Sale of equipment	350,000	-
Powder sale	11,400	8,980
Contracted research & development	36,366	13,500
	<u>397,766</u>	<u>22,480</u>
Revenue	<u><u>397,766</u></u>	<u><u>22,480</u></u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	6 months	6 months
	ended 30	ended 30
	June 2024	June 2023
	\$	\$
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	361,400	8,980
Services transferred over time	36,366	13,500
	<u>397,766</u>	<u>22,480</u>
	<u><u>397,766</u></u>	<u><u>22,480</u></u>

Note 3. Other income

	Consolidated	
	6 months	6 months
	ended 30	ended 30
	June 2024	June 2023
	\$	\$
Other income	517	4,059
	<u>517</u>	<u>4,059</u>

Note 4. Contract liabilities

	Consolidated	
	30 June 2024	31 December 2023
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	386,390	-
	<u>386,390</u>	<u>-</u>

Note 4. Contract liabilities (continued)

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$386,390 as at 30 June 2024 (\$nil as at 31 December 2023) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	31 December
	30 June 2024	2023
	\$	\$
Within 6 months	386,390	-

Note 5. Borrowings

	Consolidated	31 December
	30 June 2024	2023
	\$	\$
<i>Current liabilities</i>		
Loan - Related party	382,005	100,000

Loans from related parties

On 26 July 2023 the Company signed a bridging loan agreement of \$100,000 owed to The Barnes Global Advisors LLC ("TBGA") a related party of the Director. The borrowing is interest bearing at 8% p.a and is repayable 24 months from inception.

On 31 January 2024 the Company signed a bridging loan agreement of \$150,000 owed to TBGA a related party of the Director. The borrowing is interest bearing at 8% p.a and is repayable 3 months from inception.

On 20 March 2024 the Company signed a bridging loan agreement of \$100,000 owed to Bruno Campisi, a Director. The borrowing is interest bearing at 10% p.a and is repayable 3 months from inception.

On 29 April 2024 the Company signed a bridging loan agreement of \$32,005 (AUD \$50,000) owed to Bruno Campisi, a Director. The borrowing is interest bearing at 10% p.a and is repayable 3 months from inception.

Note 6. Convertible note

	Consolidated	31 December
	30 June 2024	2023
	\$	\$
<i>Non-current liabilities</i>		
Convertible note	323,109	323,109

In April 2023, the Company entered into convertible note agreements for the issuance of 323,109 convertible notes ("Notes") at the value of \$322,109 to raise funds for working capital. Under this raising, the Company entered into convertible note agreements with various lenders (the "Lenders") pursuant to which the Lenders subscribed for convertible notes in the Company which upon the Company completing the IPO process, convert into Shares.

The notes are unsecured, interest-bearing at 5% per annum.

Key terms and conditions:

Note 6. Convertible note (continued)

- Each notes will be convertible into Common Stock at a conversion price equal to 20% discount from the valuation utilised in the next financing;
- Interest is 5% per annum, and payable is arrears on redemption. If automatically converted no interest applies; and
- Maturity date is 24 months from the date the Convertible Note Agreement signed by the parties which is the redemption event.

Note 7. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 8. Events after the reporting period

Convertible note issue:

On 22 November 2024, the Company entered into a convertible note arrangement to raise A\$1,050,000 with multiple parties.

Key terms and conditions:

- Maturity dates is 24 months from the date the Convertible Note Agreement signed by the parties which is the redemption event;
- Each notes will be convertible into Common Stock at a conversion price equal to 20% discount from the valuation utilised in the next financing; and
- Interest is 4% per annum, and payable is arrears on redemption. If automatically converted no interest applies.

Due diligence

Subsequent to the financial half-year, the consolidated entity entered into a binding agreement, pursuant to an acquisition of the consolidated entity, to grant a 12-week exclusivity period for the conduct of due diligence by the potential acquirer.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Metal Powder Works Inc.
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with International Accounting Standard IAS 34 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Kapil Talwar', with a horizontal line extending from the end of the signature.

Kapil Talwar
Non-Executive Director

6 December 2024

Independent Auditor's Review Report

To the Members of Metal Powder Works Inc

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Metal Powder Works Inc. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, including material accounting policy information, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Metal Powder Works Inc does not comply with:

- a giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half year ended on that date;
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- c complying with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Conclusion

We conducted our review in accordance with ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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) and the International Ethics Standard Board for Accountant's *Code of Ethics for Professional Accountants (including Independence Standards)* (IESBA Code) that are relevant to our review of the half year financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$666,097 during the half year ended 30 June 2024, and as at that date, reported current liabilities in excess of its current assets of \$817,319. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with, International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with International Accounting Standards IAS 34 *Interim Financial Reporting*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The logo for Grant Thornton, featuring the company name in a stylized, handwritten-style font.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read 'L A Stella'.

L A Stella
Partner – Audit & Assurance

Perth, 6 December 2024